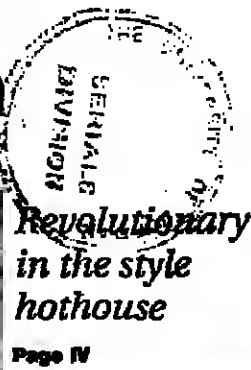


FINANCIAL TIMES

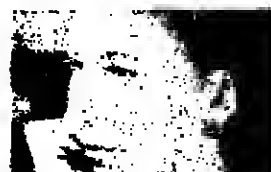


Weekend FT
Section 2

The night the innocents died
Page 1

Cruise control: four pages on holidays afloat
Page VII-X

Drawn to the erotic
Page XVII



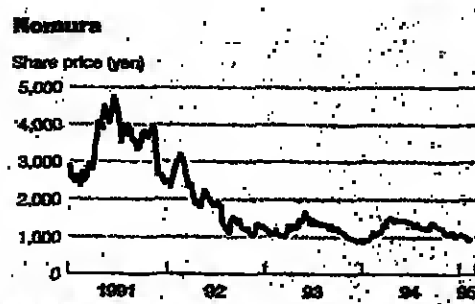
Revolutionary in the style hothouse
Page IV

World Business Newspaper

WEEKEND FEBRUARY 11/FEBRUARY 12 1995

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Japanese stocks weakness forces Nomura into loss



The severity of the Japanese stockbroking crisis was underlined when Nomura Securities, the broker whose name was once synonymous with Japan's financial might, declared the first loss in its history. The company said the continuing weakness in domestic equity markets and losses in overseas subsidiaries had produced a ¥720m (\$202m) pre-tax loss for the group in the 10 months to January 31. Page 5

Settlement for Maxwell pensioners: Thirty thousand pensioners won a £276m (\$428m) settlement from the remnants of the late Robert Maxwell's failed media empire and from investment banks and accountants. Page 22

Samsung 450% ahead: Samsung Electronics, South Korea's largest electronics company, reported a 450 per cent increase in provisional net profits for 1994 to won850bn (\$1.07bn) due to increased exports for semiconductor. Page 5

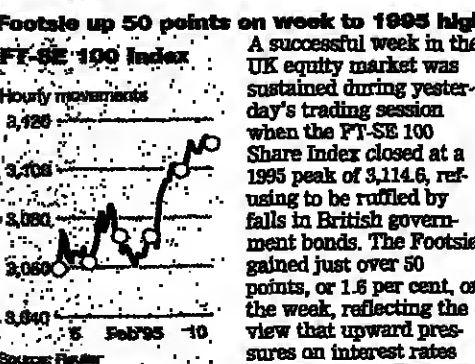
Eurotunnel misses target: Eurotunnel, the Channel tunnel operator, achieved revenues of £20.6m (\$32.4m) in 1994, its first year of operating train services, but blamed a dispute with the French and UK railways for failing to reach its revised target of nearly £25m. Page 5

Modest rise in wholesale prices: US wholesale prices rose 0.3 per cent last month, with a sharp increase in energy prices partly offset by declining food costs, the Labour Department said. Page 2

Toyota lifted by cost-cutting: Toyota, Japan's largest car maker, reported a more than nine-fold increase in first-half operating profits to ¥87.1bn (\$881m), helped by cost-cutting and a recovery in the Japanese market. Sales grew 2 per cent to ¥4,070bn. Page 5

Tokyo's deregulation plans attacked: The European Commission said Japan's proposed measures for deregulation of the economy were "very disappointing" and called on Tokyo to adopt "clear, unequivocal commitments" in its final five-year plan to be announced in March. Page 3

First call on WTO's dispute procedures: Singapore and Venezuela have set in train proceedings which could trigger for the first time the World Trade Organisation's politically controversial new machinery for resolving international trade conflicts. Page 3



Markets, Weekend FT Page XXII

Lloyds Bank reports profits of £1.3bn: Lloyds Bank of the UK announced a 26 per cent rise in pre-tax profits to £1.3bn (\$2bn), ahead of market expectations, as its retail banking business showed signs of resumed growth. Page 6; London stocks, Page 19; Lex, Page 22

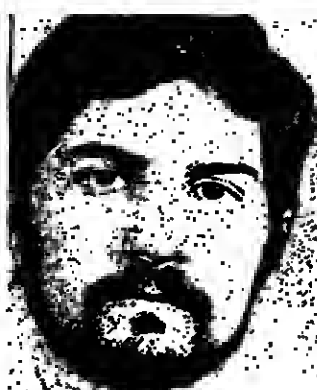
No bugging devices: No electronic bugging devices were found in an office provided for Sinn Féin delegates involved in talks earlier this week with British government officials in Belfast, the Royal Ulster Constabulary said. The Sinn Féin team walked out of the talks saying a scanner had picked up signs of a monitoring device.

Companies in this issue	
BAA	6 CVC
Control India	6 Reapip
Eurotunnel	5 Rolfs-Royce
Fortis	6 Samsung Electronics
Greenwich Comms	6 Senkor Eng
Headway	6 Stora
Kingfisher	6 TCI
Lloyds Bank	6 Tesco
McAlpine (Africa)	6 Toyota
NEC	5 Trafalgar House
Nomura	5 Tryggv-Hansa
Norgesreidit	5 Unilever
Northern Electric	6 Warburg (SG)
Prudential	22 Wimpey (George)

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Mexico cracks down on peasant uprising



Marcos: the first photograph without his trademark ski mask

By Leslie Crawford in Mexico City and George Graham in Washington

Heavy troop movements were reported yesterday in Mexico's southern state of Chiapas after President Ernesto Zedillo announced a crackdown on a 13-month peasant uprising there.

The decision by Mr Zedillo to go on the offensive against the Zapatista guerrilla group represented a sharp shift in strategy

by the president, who had emphasised the need for dialogue with the rebels.

According to the president, the move followed the discovery of arms caches in Mexico City and the state of Vera Cruz. He said this showed the guerrillas' strategy was "to buy time in order to arm themselves and broaden their operations through further acts of violence".

He ordered the arrest of the Zapatista leadership, including its charismatic

chief, Subcomandante Marcos. He identified Marcos as Rafael Sebastian Guillen Vicente, 37, a one-time philosophy lecturer known for his Marxist leanings at Mexico City's Autonomous University. Vicente's family say they have not seen him for eight years. He is also said to have lived in Paris and in Nicaragua, where he is supposed to have received training in guerrilla warfare.

The Mexican stock market rallied following the president's

announcement, gaining 1.3 per cent in mid-day trading. However, Mr Geoffrey Dennis of Bear Stearns in New York said he believed the rally would be short-lived. "We are still worried about the danger of a deep recession in Mexico. That is the bottom line." The peso recovered earlier gains and strengthened near the end of trading to 5.5 to the dollar.

The US yesterday backed Mr Zedillo's decision, but urged the Mexican government to act with

"restraint, respect for human rights and full compliance with the legal process".

A statement issued by the State Department said that "governments have the right and responsibility to protect their citizens against violence, while, at the same time, respecting their human rights".

US officials have been concerned that the crackdown might

Continued on Page 22
Currencies, Page 10

Apple lawsuit a threat to new Microsoft launch

By Louise Kehoe in San Francisco

The launch of Windows '95, the next version of the widely-used personal computer operating system made by Microsoft of the US, could be caught up in the copyright infringement law suit filed this week by Apple Computer.

Apple is seeking a court order preventing Microsoft from distributing any product containing the disputed software. Apple contends in its suit that Microsoft has announced that the disputed software is a part of Windows '95. Microsoft, however, yesterday strongly denied that Windows '95 incorporates the software in question.

The issue is critical for the personal computer industry, which is eagerly awaiting the planned launch of Windows '95 in August. The new Microsoft operating system program is expected greatly to improve the performance and ease of use of personal computers. Industry analysts expect 20m copies to be sold worldwide within 12 months of the introduction. For Microsoft, Windows '95

is the all-important new version of its best-selling product.

Mr Carl Stork, Microsoft's director of Windows hardware development, said that "none of the disputed code is part of Windows '95 or current versions of Windows". The original code, obtained from Intel, which is also being sued by Apple, had been rewritten by Microsoft, he stated.

In its lawsuit filed in a California district court Apple charged that Video for Windows, a Microsoft product jointly developed with Intel and already on the market, is in large part based upon copyrighted software included in Apple's Quicktime for Windows program.

Apple also sought to include in its action any future programs which might contain the disputed software, such as Windows '95. Video for Windows and Quicktime for Windows programs enable PCs to display movie-quality video, rather than the choppy quality of earlier programs.

Elements of both programs were developed on behalf of Apple and Intel by a small San Francisco software firm called

San Francisco Canyon. Apple filed suit against Canyon in December, charging that it had illegally transferred source code from Quicktime for Windows to Intel. On Thursday, Apple expanded the suit to include charges against Intel and Microsoft.

The competing products enable PCs to display high quality video. They are incorporated in "development kits" distributed to third party software developers which create application programs such as multimedia games.

A serious concern for Apple is that third party software developers may be less likely to create new programs for the Apple Macintosh if development tools for PCs based on Intel chips and Microsoft's Windows operating system match the performance of those available for the Apple Macintosh.

The company said it was offering an "amnesty" to third party developers who had used the software in products that were already on the market. Apple is, however, demanding a halt to the launch of new products that contain the disputed software.

UK minister attacked as air chief leaves in residence row

By Kevin Brown and Bernard Gray in London

Mr Malcolm Rifkind, UK defence secretary, was under fire from MPs yesterday after Air Chief Marshal Sir Andrew "Sandy" Wilson agreed to take early retirement from the Royal Air Force over a £390,000 (\$598,000) renovation bill for his official residence.

The defence ministry refused to confirm claims at Westminster that Sir Sandy, the RAF's head of personnel and training, was dismissed following a critical report on the renovations by KPMG Peat Marwick, the accountants. However, the MoD released a terse exchange of letters in which Sir Sandy made clear that he had agreed to take early retirement "with great regret" to relieve pressure on the air force and his family.

Mr Rifkind said that Sir Sandy's departure after a "distinguished" 35-year career was "in the Royal Air Force's best interests". Mr Rifkind is understood to have told Sir Sandy that he no

longer retained the full confidence of ministers.

Sir Sandy's renovation bill included £30,000 for curtains and palm trees. An interior designer twice flew to Germany to discuss fittings with Sir Sandy.

Nevertheless, there was resentment among senior officers, some of whom said Sir Sandy had been made a scapegoat for politicians. Some ministers were also uneasy. One said that Mr Rifkind was seeking to demonstrate his toughness about the wrong issue. Another linked the "unwise" treatment of Sir Sandy to the government's embarrassment about big salary increases in the private sector.

Mr David Clark, the opposition defence secretary, accused Mr Rifkind of dodging questions by announcing Sir Sandy's resignation in a written answer from Mr Nicholas Soames, armed forces minister, instead of making a Commons statement.

"Sir Sandy has made several grave errors of judgment. But he is not the only one at blame. This

is another episode in an ongoing catalogue of political mismanagement and lack of financial control in the MoD," he said.

Mr Bruce George, Labour chairman of the cross-party Commons defence committee, said he would call for an inquiry into the management of the 76 official service residences which house senior officers from all three armed services.

The KPMG report, drawn up after an inquiry prompted by Labour complaints about the high running costs of senior officers' houses, said there were "significant failures on control" at Sir Sandy's residence, Haynes Garth, near Cheltenham. Haynes Garth is expected to be sold.

The report also found "serious systemic weaknesses in procedures and controls" in properties controlled by RAF strike command.

Minor irregularities were also found in army and Royal Navy properties.

A homemaker tails out, Page 8

STOCK MARKET INDICES

FT-SE 100:	3,109.8	(+10.9)
Yield:	4.20	
FT-SE Eurotrack 100:	1,548.30	
FT-SE-A All-Share:	1,530.47	(+0.59%)
Nikkei:	10,291.35	(+191.83)
New York LUNCHTIME		
Dow Jones Ind Ave:	3,925.28	(+7.40)
S & P Composite:	479.73	(+0.46)
LONDON MONEY		
3-m Interbank:	6 1/2	(6 1/2)
Libor long gilt fut:	Mar 10 1/4	(Mar 10 1/2)

US LUNCHTIME RATES		
Federal Funds:	5 1/8%	
3-m Treas Bill Yld:	5.67%	
Long Bond:	9 1/8%	
Yield:	7.864%	
NORTH SEA OIL (Argus)		
Brent 15-day (Mar):	\$16.83	(+0.08)
GOLD		
New York Comd (Apr):	\$376.4	(\$75.8)
London:	\$376.8	(\$75.9)

STERLING		
New York LUNCHTIME:		
\$ 1.564		
London:		
\$ 1.5608 (1.5557)		
DM: 2.3798 (2.3757)		
FF: 5.2652 (5.2337)		
Sfr: 2.0096 (2.0119)		
Y 154.402 (153.784)		
S Index: 87.5	(87.4)	
DOLLAR		
New York LUNCHTIME:		
DM 1.5187		
FF 5.2610		
Sfr: 1.254		
Y: 95.795		
London:		
DM 1.5241 (1.5201)		
FF: 5.2783 (5.2628)		
Sfr: 1.2571 (1.2535)		
Y: 95.225 (95.855)		
S Index: 95.5	(95.8)	
Tokyo close 95.75		

CONTENTS

News	Letters	FT World Actuaries	Money Markets
International News	Man in the News	Foreign Exchanges	London Shares
Commodities	Companies	Gold Markets	World Commodities
Weather	UK	Equity Options	Wall Street
22	Ind. Companies	London SE	Bourses
22	Markets	USE Dealers	Weekend FT
22	FT-SE Actuaries	Newswall Funds	Section 7

NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

Modest gain in US prices

US wholesale prices rose modestly in January with a sharp increase in energy prices partly offset by declining food costs. The Labour Department said its producer price index rose 0.3 per cent last month, after moving up by a revised 0.4 per cent in December. Instead of the 0.2 per cent gain previously reported, food prices dropped 0.6 per cent in January, compared with December's revised increase of 1.4 per cent. Energy prices jumped 2.3 per cent last month, compared with December's revised drop of 1.0 per cent. After factoring out volatile food and energy prices, the department said the "core" PPI rose 0.2 per cent, after a revised 0.3 per cent in December. Economists on average had expected both the overall index and the core rate to rise by 0.4 per cent. The inflation-sensitive 30-year US Treasury bond jumped after the report, gaining $\frac{1}{8}$ of a point, or \$3.4975 per \$1,000 face value, and its yield slipped to 7.61 per cent from 7.68 per cent on Thursday. *Reuter, Washington*

Judge quits in graft protest

Judge Ventura Pérez Marín, a high court magistrate co-opted into the Spanish parliament by the ruling Socialist party, said yesterday he would resign because the government had not done enough to curb corruption. His resignation will embarrass Mr Felipe González, the prime minister, but it leaves the government's majority unchanged as Mr González can now co-opt a replacement. Mr Pérez Marín's break with the Socialist party mirrors that of fellow judge Mr Baltasar Garçon in May last year, and threatens to heighten a confrontation between the government and the judiciary over the handling by the courts of sensitive political scandals. Mr González co-opted the two judges onto the Socialist party lists in the June 1993 general elections as part of his strategy to broaden the government's appeal. *Tom Burns, Madrid*

Indian exports rise sharply

India's exports rose nearly 17 per cent to \$12.3bn (£11.8bn) in the nine months from April to December, the Commerce Ministry said yesterday. But the trade deficit widened as imports grew to \$20.3bn. Imports of petrol, oil and lubricants declined by 2.1 per cent but non-oil imports increased by 33.1 per cent. The ministry said exports in December rose 29 per cent over December 1993 to a record \$2.3bn. It said that the 90 per cent target for growth in exports in fiscal 1994-95 was attainable, despite a plague scare late last year which led to a virtual quarantine of India. *AFP, New Delhi*

Finnish interest rates raised

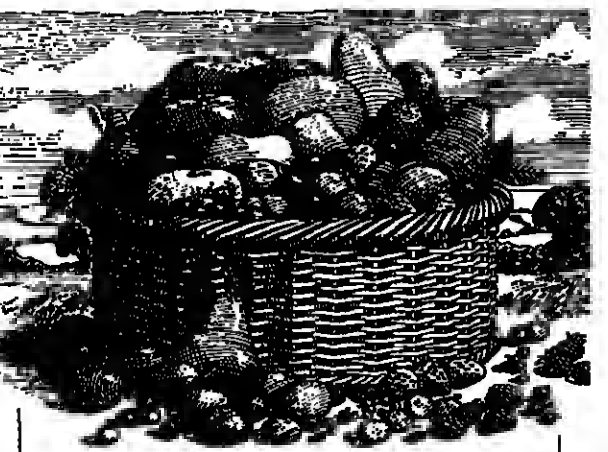
Finland's central bank yesterday followed Sweden by raising short-term interest rates to forestall fears of resurgent inflation. The bank raised its "lender rate" for short-term money market lending by 25 basis points to 5.75 per cent. It warned of "a marked rise in inflation expectations and cost pressures which pose a threat to price stability and hence to sustained growth."

The extent of the bank's anxiety not to allow inflation to re-emerge appears excessive, given that inflation in Finland last year reached just 1.1 per cent. The reappearance of inflation is much more pronounced in Sweden, where the economy is threatened by a yawning budget deficit. But the Finnish bank is nevertheless concerned that a return to rapid growth now under way after a deep recession could rekindle inflation. Gross national product grew by almost 4 per cent last year and is forecast to rise by more than 5 per cent in 1995. *Hugh Carnegie, Stockholm*

German bus takeover cleared

Mercedes can take over Kaessbohrer, a big manufacturer of tourist and intercity buses in Europe, the European Union advisory panel on mergers recommended yesterday. The issue will now go to the Commission for confirmation next week.

The panel dropped its earlier opposition to the merger on the grounds that the two companies would control 60 per cent of the German bus and coach markets. It was argued that the deal would not dramatically change the structure of the German bus market, while it was vital for the survival of debt-ridden Kaessbohrer. Rival German bus-makers had not objected. *Reuter, Brussels*



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FINANCIAL TIMES Information

Yeltsin faces dilemma over pay rise vote

By Chrystia Friesland in Moscow

Russia's parliament yesterday decided to double the minimum wage, giving President Boris Yeltsin a tough political choice between backing the domestically popular bill or blocking it to ensure western financial aid.

The decision to raise the minimum wage to \$54,000 (about \$2.30 a month, passed by the lower house of parliament last month, was approved by an overwhelming majority of deputies in the upper chamber yesterday.

Unless Mr Yeltsin exercises his authority to veto the bill, the wage rise will doom the 1995 budget and kill Russia's chances of receiving a \$6.25bn (24bn) standby loan from the International Monetary Fund, Russian officials said.

"This wage increase would undermine the budget and destroy our prospects of an agreement with the IMF," said Mr Maksim Boyko, deputy head of the reformist government commission on economic policy.

The budget department of

the finance ministry estimates that, because of the link between the minimum wage and pensions and other state entitlements, implementing the legislation would cost the government \$159,000bn more. The added costs would more than double the government's target budget deficit of about 7.7 per cent of GDP, according to official Russian calculations.

Earlier this week, Mr Victor Chernomyrdin, the prime minister, sent deputies a written appeal not to approve the legislation on the grounds that the 1995 budget "does not envisage

the specified sum". But parliamentarians, who voted for the bill in a roll call ballot, were unconvinced by the government's arguments and unwilling to bear the political heat for keeping the minimum wage at its current level of less than \$2.30 a month.

"The government can find money to protect millions of innocent impoverished citizens from the same source that funded the war in Chechnya," said one deputy, Mrs Elena Mizulina.

By approving the bill, which calls for the wage increase to

be backdated to February 1, parliamentarians have put Mr Yeltsin in a tight corner. If he vetoes the bill, as reformers in the government are predicting, he will incur the wrath of millions of Russians.

"One must not trap the president all the time," said Mr Gennadi Melnikov, the minister of labour. He said the parliament's decision put Mr Yeltsin "in an uncomfortable position because he has just vetoed the minimum pension bill, and if he kills the minimum pay bill as well, it will turn out that the parliament is

good and the president is bad". Parliament's move comes at a time of unprecedented disarray among democratic, pro-reform forces and a growing divide between Mr Yeltsin and the democrats.

Russia's Choice, once the leading reform party, has been critically weakened by disagreements over the Chechnya war which this week prompted Mr Yegor Gaidar, the party leader who, as prime minister, led Russia's first attempt at economic reforms, to declare his opposition to Mr Yeltsin's government.

CIS summiteers grope warily for post-Soviet role

By John Thornhill in Alma Ata

It is hard enough to organise a summit of 12 countries at any time, but when the states involved share a close and, at times, traumatic past, as in the Commonwealth of Independent States, the task is trickier still. The organisers of the 17th CIS summit held yesterday in Alma Ata, capital of Kazakhstan, had to tread warily as the leaders of the newly independent states, all groping to find their place in the post-Soviet era, grapple with common security and economic issues.

Procedural correctness suggests that the presidents are seated in alphabetical order. But that means that the heads of Armenia and Azerbaijan, still at loggerheads over the disputed region of Nagorno-Karabakh, end up sitting next to each other. Such sensitivities - and Russia's dominant part - ensured that little progress was made on creating common external borders to be guarded by CIS troops. Suspicions run too deep.

Other regional jealousies are prone to surface. Mr Nursultan Nazarbayev, the president of Kazakhstan, who hosted the summit, has been keen to promote his country as the leading political force in central Asia. But that has provoked frostiness with Mr Islam Karimov, president of neighbouring Uzbekistan, who sees himself in a similar role.

While politicians talk about closer economic ties, travellers still find it difficult to fly directly between the capitals of the two countries. The sheer size and relative wealth of Russia ensures it is the queen on the chessboard of CIS politics with the other countries capable of only limited moves.

Mr Boris Yeltsin, Russia's president, was the natural focus of attention - especially after the conflict in Chechnya

- and expressed frustration at the slow progress of reintegrating the CIS. But Mr Yeltsin kept a surprisingly low profile, appearing in public only when he unsteadily descended from the steps of his aeroplane.

Mr Nazarbayev, the strongest advocate of an ever closer and deeper union, was the summit's guiding spirit and publicly banked after something far more ambitious than the loose confederation that is now the CIS.

"If the European Union is going to move closer then why should we not follow? Before we were even more closely integrated than they were," he said. But his proposal for a binding pact for peace and stability within the CIS was coolly received by some other members.

Only an informal memorandum was adopted and just three of 13 proposals for closer security were passed.

The summit contained echoes of debate within the western European Union as the prospect of a two-speed CIS began to emerge. CIS member countries agreed about the desirability of a common market and fleshed out plans to develop an inter-state economic committee. The heads of government moved to appoint the staff of the committee to open headquarters in Moscow and co-ordinate their country's statistical services. But beyond economics, the consensus rapidly breaks down.

A hard core of countries - Russia, Belarus and Kazakhstan - appears determined to press ahead with developing closer relations even if it means leaving the other members of the CIS behind. Recent bilateral and trilateral agreements between these countries on security and economic issues are blurring a trail which other CIS countries may find too hot to follow.



Austria's foreign minister Alois Mock, left, with Nato chief Willy Claes after signing up to the Partnership for Peace yesterday

Air competition warning

By Michael Skapinker, Aerospace Correspondent

European Union rules designed to encourage competition between airlines are not working, the UK's Civil Aviation Authority said yesterday.

The authority said a 1993 EU regulation on allocating runway slots at airports needed revision if passengers were to be given greater choice.

The regulation established a pool of arrival and landing slots for allocation to airlines which did not have a large presence at a particular EU airport. The European Commission is to recommend by the end of this year whether the regulation requires revision.

Mr Christopher Chataway, CAA chairman, said the regulation "has not engendered any increase in competition. There are no benefits to passengers. On many routes, there are just

two airlines who are accustomed to co-operating rather than competing."

The authority, in a report published yesterday, said future EU regulations should concentrate on increasing the number of airlines on well-used intra-European routes. The authority accepted that this might favour large airlines over small carriers.

The 1993 regulation accepts the continuation of the principle of "grandfather rights", under which an airline using a slot in one summer or winter season has first claim on it in the next equivalent season.

The regulation created a pool of slots, however, 80 per cent of which must be made available to new entrants. The pool contains slots which airlines have returned voluntarily. It also contains slots which airlines have had to relinquish because they have made insufficient

use of them. New slots, created through changes in airport schedules, are also in the pool.

New entrants are those with only a small presence on a particular route and airport. The authority said that at London Heathrow airport this system had not resulted in new competition on intra-European routes. It thought the situation was probably the same at other European airports.

The authority said EU regulations should encourage the collection of slots which become available. This would allow allocation of more slots to an airline which wanted to enter a well-used intra-European route. This would mean the airline could create a viable service to challenge existing carriers on the route.

Slot Allocation: A Proposal for Europe's Airports, from CAA, PO Box 31, Cheltenham, Glos GL50 3BN. £2.50.

Austria tilts away from neutrality

Austria yesterday became the 26th member of Nato's Partnership for Peace, a move widely interpreted as a first step towards discarding its 40-year tradition of neutrality. *AFP reports from Brussels.*

Mr Alois Mock, Austria's foreign minister, said Austria had joined the Nato co-operation programme because it shared the ideal of increasing European stability and security in the post-cold war era.

But Mr Mock stressed that Austria would not be involved in PFP military manoeuvres. "We want to concentrate our activities in the areas of humanitarian and peacekeeping operations," he said. "Austria is also interested in the environmental sector."

Mr Mock and Mr Werner Fasslabend, the defence minister, both members of the People's party, the junior member of the coalition government, were keen for Austria to take part in Nato exercises. But they were overruled by Social Democrat Chancellor Franz Vranitzky, whose party is deeply attached to the tradition of neutrality.

Mr Willy Claes, the Nato secretary general, reflected Austrian sensitivities by underlining that joining PFP would not endanger the country's neutral status. "Austria itself will determine the depth of its involvement," he said.

Mr Claes said Austria's position at the heart of Europe meant it could play a strategic role in developing new European security structures. "We are counting on Austria actively helping the countries of central and eastern Europe in a difficult transitional phase," he said.

Anti-smoking group urges sell-off protest

By Andrew Jack in Paris

A French anti-smoking organisation has urged supporters to buy shares in the privatisation of Seita, the French state tobacco monopoly, to enable them to express their critical views of the company.

The Paris-based National Committee Against Excessive Smoking urged subscribers to its magazine to buy 10 shares in the forthcoming Seita sale so they could attend the company's annual general meeting

and make their views heard. It also called on those who are customers of Société Générale and Crédit Commercial de France, two French banks which have been granted large stakes in the privatisation, to write to the boards and question whether they were willing to succumb to the temptations of profit whatever the price.

The advice comes ahead of the public offer of Seita shares, at FF129 (£15.70) each, which opens next Tuesday, at a time when the company is trying to mount an intensive marketing campaign without running foul of advertising regulations.

The committee has already begun legal proceedings against Seita, claiming that its campaign breaches a law, introduced in 1993, that tightly restricts the advertising of tobacco.

It has been inspired by the work of US consumer activists, including those who managed to gain a say at the annual general meeting of Philip Morris, the tobacco giant.

Mr Pascal Mélihan-Chelmin, chairman of the committee, said: "Our aim is not to make Seita bankrupt but to improve the nation's health."

"We are not prohibitionist but we want to prevent publicity encouraging smoking, including that aimed at young people and those in the third world and eastern Europe."

He emphasised that the French government "gave FF24bn a year towards anti-smoking causes, but gained FF40bn a year from tobacco tax. He said the committee itself received FF1m a year

directly from the state and FF1m more towards its FF5m budget from the national health insurance system.

Seita said last night it was not worried about the threat and the privatisation was proceeding well. "The best way for opponents of smoking to object is not to buy cigarettes," it said.

Judging by current numbers it is unlikely that Seita will face much of a threat from the latest campaign. The committee said it had only about 600 paid-up members.

Without foreign funding, the Slovakian government would still be able to complete the two 400-MW Mochovce reactors, but without the additional safety measures which EdF will provide. According to EBRD studies, the completion of Mochovce is the least costly option for Slovakia and at least 5 per cent cheaper than natural gas turbines, the alternative proposed by Austria.

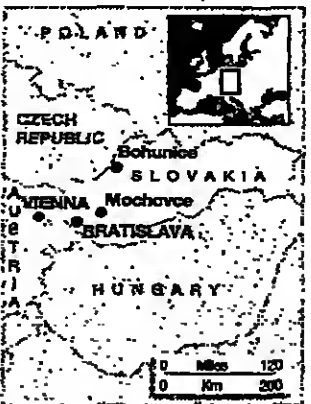
But leaving a plant that is 60 per cent completed idle is something a poor country cannot afford, the bank says.

Experts advising Vienna dis-

miss the assurances of the EBRD. Slovakia might still decide to keep Bohunice on line beyond the 1999 date for decommissioning. They also call into question the safety standards of Mochovce, arguing that a plant mixing eastern and western features could never be licensed in a west European country.

Moreover, the bank has overstated Slovakia's energy needs and the projected costs of natural gas, they say. Austria's hand was strengthened when PreussenElektra of Germany dropped out of the consortium this month, citing concerns about Mochovce's safety standards.

The issue has strained Austria's relations with Slovakia and France; the prime proponent of nuclear energy in Europe. But it has strong allies among Europe's environmental groups, which have picked Mochovce as a key case in fighting the expansion of nuclear power plants in eastern Europe. Rather than replacing antiquated plants like Chernobyl with western designs, the new democracies should consider non-nuclear alternatives, they say.



Protests grow over Slovak nuclear plan

By Eric Frey in Vienna

Austria is considering pulling out of the European Bank for Reconstruction and Development if the bank goes ahead with plans to fund the completion of a controversial nuclear power plant in Slovakia.

Using its newly gained influence as a European Union member, Austria is fighting hard to stop completion of the Mochovce nuclear power plant, 190km from Vienna, claiming it will remain a safety hazard even after being upgraded by western technology.

Electricité de France (EdF) has formed a joint venture with Slovakia's Slovenske Elektrarne to complete the Soviet-style power plant and provide it with modern safety features for DM1.2bn (£540m). The German utility Bayernwerk is also considering joining the consortium.

Funding is to come from the EBRD, Euratom and the European Investment Bank. The EBRD board is to vote, on a DM400m loan in April.

On Thursday, the Austrian parliament voted unanimously to ask the government to consider withdrawing from EBRD

if the loan goes through. Austria holds a 2.3 per cent stake in the bank.

Behind the hectic official activities is extreme pressure from public opinion and the tabloid press. Environmental issues have been at the forefront of politics for many years and many Austrians regard environmentalism as part of their identity. In a 1978 referendum, the country narrowly voted against nuclear power, even though the first plant was completed and ready for operation.

The Chernobyl accident in 1986 heightened anti-nuclear sentiment, making opposition to nuclear energy the one issue on which many citizens agree.

The campaign against Mochovce is led by the Kronen-Zeitung, Austria's largest tabloid paper, which has been raging in banner headlines against the "death reactor" across the border. This sentiment leaves the government little choice but to take up the fight against Mochovce.

Last month, the Mochovce consortium cancelled a public hearing in Vienna because of the overheated atmosphere. It offered, instead, a live televi-

sion debate in which the public could call in with questions, but this was rejected by Austrian television.

Vienna now argues that the EBRD should to stop the loan because it would violate its own regulations that call for public hearings in neighbouring countries.

EBRD officials say they can still go ahead. The EBRD project managers, who strongly support the loan, say they do not understand Austria's opposition. Mr Alain Pilloux, EBRD senior banker in charge of the project, said yesterday the project had been misrepresented in Austria. "The project has taken on an emotional character in Austria... this is a safety project. We are not talking about constructing dangerous nuclear plants but about completing and upgrading two reactors. In return two unsafe reactors will be closed. This will increase the safety of Austria and Hungary."

Part of the loan agreement is a commitment of the Slovakian government to close two of the four nuclear reactors at the Bohunice power plant, which experts regard as dangerously antiquated.

Without foreign funding, the Slovakian government would still be able to complete the two 400-MW Mochovce reactors, but without the additional safety measures which EdF will provide. According to EBRD studies, the completion of Mochovce is the least costly option for Slovakia and at least 5 per cent cheaper than natural gas turbines, the alternative proposed by Austria.

But leaving a plant that is 60 per cent completed idle is something a poor country cannot afford, the bank says.

Experts advising Vienna dis-

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Double-edged ruling is setback for Names

By Ralph Atkins,
Insurance Correspondent

Hopes of many loss-making Lloyd's of London members of obtaining substantial compensation through the courts may have been set back yesterday by a less-than-complete victory for Names in the latest Lloyd's-related legal battle.

LLOYD'S

LLOYD'S OF LONDON dating back many years. D.J. Freeman, a firm of lawyers acting for the association, said it would seek full compensation for an estimated 199m (\$124m)

were entitled to damages for losses incurred by the insurance syndicate, largely as a result of US asbestos claims

But the ruling paved the way for the Names to claim damages only against the managing agent - which ran the insurance syndicate - and not the members' agents which were responsible for placing Names on the syndicate. The court said claims against the members' agents had been made too late. That could

affect other "long-tail" cases - in which Names are suing for losses on insurance policies sold several decades ago. Unless overturned on appeal, the ruling will severely restrict the number of agents that Names are able to sue.

Clyde & Co, a law firm representing the "errors and omissions" insurers - which provided cover against negligence to Lloyd's agents and whose funds will be used to meet damages awards - said the ruling would have "a major impact" on long-tail actions. It hoped that "expectations on the part of Names' groups involved in the long-tail actions will become more realistic". By reducing the damages Names might win in court, the ruling could help efforts to reach an out-of-court agreement.

The High Court ruling on Syndicate 384 said that the members' agents owed a "duty in contract" to the Names. But because their case related to transactions made in the early 1990s it was too late to be heard under rules which say cases must be brought within six years.

The case against Pullbrook Underwriting Management, the managing agent, stood because there was a "duty in tort" which allows claims for compensation within three years of discovery of the losses.

Letters, Page 9

Parties converge towards common stance on Europe

Speeches from the prime minister and chancellor have failed to bridge the deep gulf that divides Conservative MPs on the European Union.

The party remains hopelessly split despite attempts to play down conflicts between the speech to the Conservative Way Forward group by Mr. Major, the premier, and the address to the European Movement by Mr. Kenneth Clarke, the chancellor (chief finance minister).

But the battle in the Conservative party has overshadowed a more remarkable development: setting aside the rhetoric, the official positions of the government and the opposition Labour party appear similar on most of the main issues.

In addition to the recent speeches, the evidence lies in Mr. Major's Leiden address last year and in an exposition of the Labour party's policy to the European Policy Institute two weeks ago by Mr. Robin Cook, Labour's shadow foreign secretary. The evidence suggests that Lord Howe, the former Conservative deputy

Splits among Conservatives are masking similarities between their policies and those of their principal opponents, says Kevin Brown

prime minister, was right to suggest in a Financial Times article last month that the government could overcome its Eurosceptic minority by mobilising a cross-party majority for the EU.

The parties remain divided on the social chapter of the Maastricht treaty. A Labour government would sign immediately, but the Conservatives are implacably opposed.

There is also some division on whether the powers of the European parliament should be increased. Mr. Major says no; Labour says yes. Fresh powers should be restricted to securing the European Commission.

But on other issues, Labour's rhetoric is now remarkably similar to that being used by the Conservatives.

Where the prime minister talks of the EU as an association of nation states, Mr. Cook rules out "a surrender of national identity," and boldly

How the parties compare

	CON.	LAB.
Trading bloc	Yes	Yes
Single currency	Decide in 1999	Decide in 1999
Single market	Yes	Yes
Vote	No weakening	Retain for vital issues
CAP	Fundamental reform if justified	Fundamental reform
Environment	Yes	Yes
Employment	Yes, more weight for UK	Yes, details unclear
Change GMR	No	No
Federation	No	No
Common foreign and security policy	No	No
Common defence policy	No	No
Social Chapter	No	Yes
European parliament	No more powers	Further powers

rejects "the concept of a European superstate".

Mr. Major has pledged to resist any weakening of the UK's veto in the council of ministers; Labour would give up the veto on social affairs, but retain it for matters of

"vital national interest" including the budget and treaty revisions.

The parties are also close on a qualified majority voting. The cabinet has agreed to oppose any reduction of the weighting of the UK vote, but accepts

that some change is essential if the EU is to be enlarged. Labour says it is "willing to make the changes necessary to enlarge the EU," but would also oppose any diminution of the UK's influence.

This narrowing of party differences could be crucial to the debate about whether the British people should be consulted in a referendum about further integration of the European Union's 15 member states.

Major has undertaken to hold a referendum if the outcome of the 1996 intergovernmental conference on European integration raises constitutional issues that require one.

Mr. Tony Blair, the Labour leader, has refused to endorse a referendum despite pressure from senior figures such as Mr. Bill Morris, general secretary of the TGWU, one of the largest trade unions in Britain. Aides say a judgement will be made when the details of any

changes are known. The leaders are cautious because many MPs in both parties are opposed, in part because referendums are seen as alien to parliamentary government, and in part because those who favour further integration fear that the voters might reject it.

But it will be difficult for the main parties to argue that the issue should be settled by a general election if their policies are regarded by the voters as virtually indistinguishable.

Paradoxically, only the federalist Liberal Democrats openly favour a referendum. They are seeking a referendum "before any substantial alteration of the present constitutional settlement between the EU and its member states".

Young Conservatives offer rebels an anti-EU platform

Eurosceptics in the governing Conservative party intend to use this weekend's conference of the party's youth wing - to increase pressure on Mr. John Major to slap down cabinet pro-Europeans, our Westminster Correspondent writes.

As the row over European integration rumbles on, the 750 delegates are likely to give a warm reception to ardent sceptics including Mr. Neil Hamilton. Mr. Hamilton will be giving his first speech to party members since leaving the government last autumn following allegations over the payment of a hotel bill.

Also scheduled to appear is Mr. Christopher Gill, one of the nine "whistleblowers" who are operating outside the Conservative parliamentary party. Mr. Gill will tell the two-day conference a single currency would destroy the economy, the country and the party.

Conservative headquarters had sought to distance itself from the meeting, largely as a result of the rowdy antics at earlier gatherings. Party managers tried to play down their embarrassment after photographs of a Young Conservative lifting his kilt at a ball during last October's main party conference were published just as Mr. Michael Howard, home secretary, was preparing to give a speech on law and order.

But as the number of ministers who accepted invitations grew over recent weeks, the party decided that Mr. Jeremy Hanley, its chairman, should address this year's YC meeting. One of the main problems for the YCs is not politics but finance. YC membership reached 250,000 in the 1990s, but has now fallen to fewer than 10,000.

Leisure chiefs guilty of illegal share support

By John Mason,
Law Courts Correspondent

Two former directors of European Leisure, the entertainment group, were convicted yesterday of mounting an illegal share support operation during the company's 1990 takeover of rivals Midsummer Leisure.

Mr. Michael Ward, the former European Leisure chairman and chief executive, was found guilty in London of conspiracy to defraud and three charges of theft involving £125,000 (£198,000). Mr. Jeremy Howard, a former European Leisure finance director, was convicted of the same offences and an additional theft charge involving £27,500.

A third former director, Mr. George Hendry, had earlier pleaded guilty to one charge of conspiring with Ward and Howard to defraud investors, the court was told.

European Leisure was built up by Mr. Ward, a former assistant director with Morgan Grenfell and international corporate finance director with S.G. Warburg. It pursued a policy of aggressive expansion through takeovers and mergers culminating in its bid in early 1990 for Midsummer Leisure.

Truckers scorn curbs on calf trade

By John Mason,
Law Courts Correspondent

Two English ports were disrupted yesterday by opposing protests about the export of live farm animals. In Dover, one of the busiest ports on the route to France, about 40 truck drivers made several circuits of streets near the docks at about 15mph.

They were demonstrating against Dover Harbour Board's ban on the export of animals for slaughter and the refusal of the shipping companies P&O and Stena Sealink to carry live farm animals.

Meanwhile about 2,000 people clashed with police in an effort to prevent the first truckload of veal calves reaching the small port of Brightlingsea in eastern England.

The town was brought to a standstill as demonstrators blocked the narrow road to the port with cars. Many who sat in the road were removed by police, including a 78-year-old woman who was arrested as the trucks moved slowly towards the docks.

Yesterday's convoy included five trucks containing 2,000 sheep as well as the one with 120 calves.

Mice offer key to cure for Alzheimer's

By Clive Cookson,
Science Editor

The long search for an animal version of Alzheimer's disease, to be used for research and drug development, has reached a successful conclusion.

Scientists from two US companies, Athena Neurosciences and Eli Lilly, have created a strain of genetically engineered mice whose brains show the type of degeneration characteristic of Alzheimer's patients. Their work is published in this week's issue of the UK journal Nature.

The "transgenic" mice incorporate a human gene, discovered at St Mary's Hospital Medical School in London, which causes an inherited form of Alzheimer's. St Mary's (part of Imperial College in the University of London) holds patent rights to the gene, which it licensed to Athena.

Alzheimer's dementia is the fourth leading cause of death in the developed world after heart disease, cancer and strokes. It probably has no equal in terms of the toll it puts on those who have to care for the victim.

One licensed drug, Tacrine, from Warner-Lambert of the

UK NEWS DIGEST

Rolls-Royce offshoot to shed 400 more jobs

Parsons Power Generation Systems, part of the Rolls-Royce Industrial Power Group, yesterday announced 400 more redundancies following a cut of 400 permanent and 200 temporary jobs in September at the factory in north-east England. Mr. Michael Boden, Parsons' managing director, said the latest redundancies, affecting white-collar and manual employees, were necessary to improve competitiveness.

He added that he saw no alternative to achieve the long term competitiveness and higher productivity Parsons must attain to beat its Japanese, western European and US rivals in a market in which contract prices had dropped in recent years. Parsons won three Indian orders, worth \$550m, in late 1993. But negotiation of complex financial packages has delayed completion. In recent months the company has been beaten by US rivals in the fight for two orders, each worth more than \$100m (\$155m), from Malaysia and China.

Chris Tighe, Newcastle upon Tyne

Scots to debate independence

Mr. Alex Salmond, leader of the Scottish National party, which campaigns for full independence and separate membership of the European Union for Scotland, is to confront Mr. George Robertson, the Labour party's Scottish spokesman, in a televised debate tomorrow over Scotland's constitutional future. Mr. Salmond will put the case for independence while Mr. Robertson will argue for the devolved Scottish parliament. Labour plans to implement it if it wins the next UK general election. Opinion polls this week in two leading Scottish newspapers show around 60 per cent in favour of a Scottish parliament, with 30 per cent wanting independence and 20 per cent wanting to keep the status quo. James Baxter, Edinburgh. Coming again at the seams, Page 8

Minorities may qualify for cash

Charities dealing with children, health, the homeless and unemployed people were likely to be at the head of the queue to receive cash from Britain's National Lottery. The National Lottery Charities Board said yesterday that organisations dealing with women's issues, ethnic and cultural minorities and others affected by discrimination would also receive sympathetic treatment. Mr. David Sieff, chairman, said political activities would not be supported.

The board has promised to consult widely before making final decisions. Charities are the last of the good causes to benefit from the lottery. The board expects to invite grant applications by June. Hundreds of organisations wanting cash for arts, sports, heritage and millennium projects have already applied. Lottery organiser Camelot hopes to give \$9m (\$14.04m) to good causes over the next seven years. So far, about \$160m has been put aside. PA News

Judgment on Saatchi due soon

The High Court judgment on the attempt by Saatchi & Saatchi, the advertising group, to stop Mr. Maurice Saatchi poaching its clients will be given on Monday. The Saatchi Group has applied for an injunction to prevent Mr. Saatchi attempting to induce clients or staff to join his new agency. John Mason

Unilever subsidiary censured

A chemicals subsidiary of Unilever has been told to make substantial improvements to its factory in north-west England or face further action, including possible closure, by the end of this month. Unichema Chemicals was served with an enforcement notice after the company failed to meet a December 31 deadline over the release of acidic vapours into the atmosphere. Last month Vinamul, a Unilever subsidiary, was fined \$19,000 for allowing vinyl acetate and vinyl chloride to escape. Jon Hamilton, Fosse, Manchester

Trucks boost vehicle sales

Registrations of new trucks in the UK jumped by 63.7 per cent to 4,203 in January, as total commercial vehicle registrations rose by 23.6 per cent year-on-year. The overall increase to 21,901 from 17,642 a year ago. In contrast to the car market, which has been undermined by weakening consumer confidence in recent months, the commercial vehicle market, a useful indicator of economic activity, remains strong in most sectors.

Vehicle Type	Jan 1995	Jan 1994	% Change
Trucks	4,203	2,567	63.7
Other commercial vehicles	17,698	15,075	17.4
Total	21,901	17,642	23.6

Truck sales (above 3.5 tonnes gross vehicle weight) were running at an annual rate of about 55,000 in late 1994 compared with only 35,000 early in the year, and this high level has been maintained in January. Leyland Daf, the UK subsidiary of Daf Trucks of the Netherlands which led the British truck market in January, is forecasting a rise this year to between 50,000 and 55,000 from the 44,738 achieved in 1994. Kevin Dore, Motor Industry Correspondent

BUSINESSES FOR SALE

GREEK EXPORTS S.A.
(A Subsidiary company of "E.T.B.A. A.E.")

ANNOUNCEMENT

OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR PURCHASING THE ASSETS OF "GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E." NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Parnassos Street, and legally represented, in its capacity as special liquidator of GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. in accordance with Decisions No. 854/12.12.1994 and 7425/1.1.1995 of the Ptochian Court of Appeal

ANNOUNCES

a Public Auction for the Highest Bidder for the purchase of the total assets, either as a whole or each of the four separate entities indicated below, of the company GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. (formerly known as GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON S.A.) within the framework of article 46a of Law 1872/1990, supplemented by article 14 of Law 2001/1991 and modified and completed by article 53 of Law 2224/1994.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. is a preprocessor and adaptable spinning and weaving unit which produces synthetic, mixed and woolen yarns, and finished material and knittedwear. It has a drying - finishing installation for materials and knittedwear, substantial technical know-how and a constant presence in the fashion market where it has a good reputation.

The company's assets for sale consist of the following: (a) self-owned units which are for sale either as a whole or each separately: First, second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth, eighteenth, nineteenth, twentieth, twenty-first, twenty-second, twenty-third, twenty-fourth, twenty-fifth, twenty-sixth, twenty-seventh, twenty-eighth, twenty-ninth, thirtieth, thirty-first, thirty-second, thirty-third, thirty-fourth, thirty-fifth, thirty-sixth, thirty-seventh, thirty-eighth, thirty-ninth, fortieth, forty-first, forty-second, forty-third, forty-fourth, forty-fifth, forty-sixth, forty-seventh, forty-eighth, forty-ninth, fiftieth, fifty-first, fifty-second, fifty-third, fifty-fourth, fifty-fifth, fifty-sixth, fifty-seventh, fifty-eighth, fifty-ninth, sixtieth, sixty-first, sixty-second, sixty-third, sixty-fourth, sixty-fifth, sixty-sixth, sixty-seventh, sixty-eighth, sixty-ninth, 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INTERNATIONAL COMPANIES AND FINANCE

Nomura slips into red for first time

By Gerard Baker
in Tokyo

The severity of the Japanese stockbroking crisis was underlined yesterday when Nomura Securities, the broker whose name was once synonymous with Japan's financial might, declared the first loss in its history.

Until yesterday, Nomura was one of the few companies to have avoided a deficit.

The company said the continuing weakness in domestic equity markets and losses in overseas subsidiaries had produced a ¥20bn (¥202m) pre-tax loss for the year to the 10 months to January 31.

Last October, the company forecast a consolidated profit of ¥70bn for the full year to March. The group has declared a loss by US accounting principles once before, but never by Japanese rules.

The company, the largest Japanese broker, said it was

taking the unprecedented step of declaring its results for the first 10 months to dispel press speculation about the scale of its difficulties.

Nomura's pre-tax profits fell from a peak of ¥485bn in 1990, to ¥3.5bn in 1993, before recovering to ¥50.5bn last year.

Mr Atsushi Setto, executive managing director, said a decline in commission revenues triggered by a slump in trading volumes on the Tokyo Stock Exchange had all but wiped out the parent company's domestic profits.

The parent made a pre-tax profit of ¥10bn in the 10-month period, against an October forecast of ¥70bn for the whole year.

Since October, the average daily value of shares traded on the TSE has been ¥230bn, down from ¥380bn in the first six months of the year, and well below break-even level for most stockbrokers.

Equity trading in Tokyo

peaked during the years of the "bubble economy" when asset prices in Japan soared.

Since 1990, share prices and trading volumes have collapsed. In spite of recent indications of a profits recovery on the back of a strengthening economy, there is little sign of an end to the malaise.

Nomura's domestic difficulties were compounded by substantial losses overseas.

In the 10 months to January, the overseas subsidiaries posted a combined loss of ¥20.5bn, with European units performing particularly poorly as bond and equity trading declined sharply.

The collapse in the Japanese equity market in the past four years has meant the country's over-populated trading sector has been submerged in losses.

In spite of increasingly aggressive cost cutting, which has seen staff cut by more than 10 per cent in the past two years, aggregate pre-tax losses

at the 20 leading brokers were ¥39.2bn in the six months to September 1994.

Analysts were yesterday forecasting that the Nomura news would mean-term problems for some of them.

"If Nomura has been brought to this, then it's a certainty that many of the other brokers, especially the smaller ones, will be in severe difficulties," said Mr J. Brian Waterhouse, financial sector analyst at James Capel Pacific in Tokyo.

The Big Four - Nomura, Nikko, Yamatai and Daiwa - are less dependent on stock trading income than smaller companies and are also better capitalised.

Others have seen their capital eroded by massive losses in the last four years.

Two of them, Cosmo Securities and Sanjo Securities, have been rescued by related banks. The sector's position has been further weakened by regulatory changes.

Swiss group to take over Trygg's US associate

By Hugh Carnegie
in Stockholm

The fate of Home Holdings, the troubled US associate of Swedish insurer Trygg-Hansa, was decided yesterday when Trygg reached a definitive agreement with Zurich Insurance for the Swiss group effectively to take over Home.

The agreement, which requires regulatory approval, draws a line under Trygg's disastrous foray into the US market.

Zurich, one of Europe's top three insurance groups, will take over the management of Home immediately and will be able to renew all existing Home business.

Zurich plans to buy out Trygg's 64.5 per cent stake in Home over an eight-year period. The Swedish group began to acquire the US associate four years ago.

Zurich will also buy out the share of Home not held by Trygg or Centre Re, a Zurich affiliate and the other main shareholder.

Home will be delisted from the New York Stock Exchange. The Zurich deal will leave Trygg with a write-down requirement from Home of SKr2.5bn (\$308m) and total losses of SKr4.5bn.

Trygg ran up more than SKr5bn in domestic losses from its involvement in collapsed banking and credit insurance ventures.

The Zurich takeover of Home replaced an original agreement struck by Mr Lars Thunell, appointed Trygg chief executive last year, with a group of American investors who were prepared to refinance Home to maintain its independence. However, Zurich's terms meant SKr500m less in losses for Trygg, so Mr Thunell changed investors.

In addition to initial terms announced last month, Zurich is offering new guarantees for Home bond and policyholders in response to demands from US insurance regulators. These included guaranteeing interest payments on Home bonds for two years and \$1bn insurance from Centre Re for policy holder protection.

Eurotunnel misses target

By Charles Batchelor,
Transport Correspondent

Eurotunnel, the Channel tunnel operator, achieved revenues of £20.5m (\$47.4m) in 1994, its first year of operating train services, but missed a target of £23m.

The company had forecast in its May rights issue prospectus that 1994 revenues would reach £137m. But delays to launching services forced it to revise its forecasts downwards in October. The final 1994 quarter accounted for £23.8m of total revenues.

In addition to earnings from

ticket sales, Eurotunnel received £10.6m from the railways to increase their payments to the level of an agreed minimum usage charge.

But there is a dispute over a further payment to which Eurotunnel believes it is entitled under this arrangement. British Rail and SNCF French Railways maintain they were not required to pay the full charge until the date they launched commercial Eurostar services on November 14. Eurotunnel believes payments should have started earlier.

Eurotunnel's shares closed down FF70.45 at FF72.15 in Paris.

operations and the fees paid by the railways for running the Eurostar services exceed operating costs.

Revenues from Eurotunnel's shuttle services exceed fees paid by the British, French and Belgian railways for the use of the tunnel for their Eurostar passenger trains.

But slashing prices would push into the indefinite future the prospect of covering Eurotunnel's huge interest bill. At present it hopes to cover all its costs, including interest, by 1998.

"Once your cash flow is credible you can get to work on your financing costs," says Sir Alastair. He expects interest charges to account for 70 per cent of outgoings in three years time so it will become more important to cut interest charges than to squeeze operating expenses.

Sir Alastair believes that when he finally steps down from Eurotunnel "it will be a project which will not trip over its financing costs". He has signed on until October 1996 but says that February 1997 is his final "sell-by date". Eurotunnel's success or failure will have been determined by then.

Fight to get back on track

The next months are critical, writes Charles Batchelor

When Sir Alastair Morrison became co-chairman of Eurotunnel eight years ago the project was dogged by delays, financial difficulties and doubts about the credibility of the venture. The tunnel is now built and train services are running. But has much really changed in the intervening period?

The past 12 months have been marked by missed start-up deadlines. Uncertainty continues to surround the financial soundness of the project, and the £10.5bn venture has still to convince the doubters that it can succeed.

Sir Alastair is not known for being faint-hearted. He remains as convinced as he was on day one that the project will succeed and that 1995 will mark a turning point. "Now is the time to say 'phew!'" he declares.

"We have got to the point where we can start winning traffic, when Eurostar can start getting passengers and we can make some inroads into the market for rail freight."

He acknowledges that the loss of revenues from the delayed start-up is serious. But provided Eurotunnel can start to claw back the deficit over the coming months he believes it can reassure its bankers and shareholders.

Sir Alastair says April and May will be the crucial months for Eurotunnel. This should be when:

revenues from shuttle

operations and the fees paid by the railways for running the Eurostar services exceed operating costs.

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Cost-cutting boosts Toyota at interim

By Michio Nakamoto
in Tokyo

Toyota, Japan's largest car maker, yesterday reported a more than nine-fold increase in first-half operating profits on the strength of cost-cutting and a recovery in the Japanese market.

It was also the first time in five years that Toyota had posted an increase in pre-tax profits in the first half.

Operating profits for the parent company in the six months to December jumped to ¥87.1bn (\$881m) from ¥9.3bn in the previous term as Toyota cut deeply into its cost base. Sales grew 2 per cent to ¥4,070bn from ¥3,987bn.

Pre-tax profits were up 79 per

cent to ¥148.8bn from ¥83.2bn, while net profits were 74 per cent ahead at ¥68.5bn from ¥39.4bn.

Toyota attributed its improved performance to cost-cutting and a recovery in domestic demand.

During the period, the company slashed ¥10bn from costs after cutting ¥150bn in the year to June 1994.

Toyota is continuing its cost-cutting programme and expects to see further improvements.

In Japan, where demand has been rising since the summer, Toyota saw sales increase by just over 2 per cent in unit terms.

The company last year launched a successful recre-

ational vehicle and remodelled many of its popular models. An increase in sales contributed ¥35bn to operating profits.

However, Toyota which lost market share in Japan last year, was unable to benefit from the surge in truck sales and imports which saw the strongest growth during the year.

Its share of the car market, excluding minivans, last year was down to 41.5 per cent from 42.3 per cent.

In terms of exports, Toyota increased unit exports by almost 9 per cent, in spite of the yen's continuing strength. Exports to North America rose 18.5 per cent as markets strengthened there.

Exports to Europe were also

up, by 11.5 per cent, although the rise is from a low base in the first half of 1993, Toyota said.

However, Toyota's performance was hit by the appreciation of the yen which contributed to a fall in operating income of ¥40bn, according to the company.

Toyota is changing its year-end to March this year and will announce nine-month results to the end of March.

It has revised upwards its pre-tax profits forecast for the nine-month period to ¥250bn from an initial ¥200bn.

Net profits are expected to be ¥190bn rather than an earlier estimate of ¥100bn.

The sales forecast is unchanged at ¥8,200bn.

Norwegian finance group suffers profits setback

By Karen Fosell
in Oslo

Norgeskredit, an emerging Norwegian financial services group, yesterday reported a decline in 1994 pre-tax profit to Nkr219.3m (\$149m) from Nkr272.5m. The fall was due to lower interest income and a drop in net capital gains, and came in spite of a sharp reduction in losses on loans.

Since 1992, Norgeskredit has transformed itself from a mortgage institution to a finance group comprising Finansbanken, a mortgage company bought last November for Nkr400m, and a division which specialises in loans to the municipal sector.

The group is the first to exploit recent legislation allowing the establishment of a group of financial institutions which can own a bank.

Finansbanken is not consolidated in 1994 accounts. Taking Finansbanken into account, Norgeskredit's combined assets have risen to Nkr27.34bn at the end of 1994 from Nkr19.7bn in 1993, when it began its expansion. In terms of loans, Norgeskredit has a total of Nkr23.2bn, compared with Nkr24.8bn for Fokus, Norway's third largest commercial bank.

Norgeskredit is currently undergoing an extensive streamlining and reorganisation as a result of expansion.

Net interest income last year fell to Nkr278.1m from Nkr313.7m as net capital gains were cut to Nkr19.7m from Nkr68.6. Loan losses fell sharply to Nkr11.5m from Nkr65.2m.

Norgeskredit proposed a dividend of Nkr7 a share, down from Nkr8.50 in 1993. The payout ratio for 1994, at 50 per cent of net profit, is higher than 1993's 49 per cent.

Price and volume increases help lift Stora to SKr3.21bn in 1994

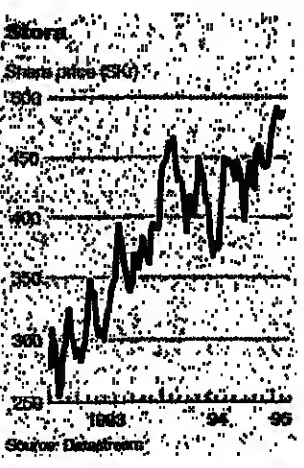
By Hugh Carnegie
in Stockholm

A rapid recovery in the forestry industry was underlined yesterday when Stora, the big Swedish group, announced a six-fold increase in profits in 1994.

Preliminary figures showed profits after financial items jumped to SKr3.21bn (\$428m) in the full year, from SKr528m in 1993. The profit adjusted for non-recurring items such as capital gains, was significantly lower, at SKr2.63bn, but the scale of growth was still far ahead of underlying sales growth of just 14 per cent.

Total sales in 1994 were SKr4.8bn, down from SKr50.4bn, but this was mainly due to the divestment during the year of Tarkett, Europe's largest manufacturer of hard flooring.

Industry observers say prospects for 1995 are even stronger



for Stora - which was recently overtaken as Europe's biggest forestry group by its Swedish rival SCA, when the latter bought 60 per cent of the German group PWA.

In addition to capital gains, Stora benefited from the weak

level of the Swedish krona in 1994 and cost-cutting during the recession. But the biggest boost appeared to come from rising volumes and, in the latter part of the year, rapidly rising prices for pulp, fine papers and coated magazine papers.

Although it declined to give details until its full results are published next month, Stora said SKr1.17bn of full-year profit was earned during the fourth quarter.

Income excluding non-recurring items in the fourth quarter was SKr1.19bn.

Analysts said the result was better than expected, with forecasts mainly pitched below SKr2bn.

Stora shares rose sharply early yesterday after the figures were announced, but fell later in line with a general slide on the Stockholm stock exchange to end the day down SKr2 at SKr490.

Samsung Electronics advances

By John Burton
in Seoul

Samsung Electronics, South Korea's largest electronics company, reported a 450 per cent increase in provisional net profits for 1994 to Won850bn (\$1.07bn), due to increased exports for semiconductors.

Sales rose 39 per cent to Won11,300bn, exceeding its target for 1994 of Won10,000bn.

As the world's leading producer of dynamic random access memory (DRAM) chips, which store computer data, Samsung benefited from rising global demand for personal computers.

Sales of Samsung semiconductors increased 61 per cent to \$4.9bn last year, accounting for 4.5 per cent of total market share worldwide, according to

Dataquest, a semiconductor market research company.

The semiconductor division is estimated to account for between 70-80 per cent of Samsung's net profits, according to analysts.

The company's other main products include consumer electronics, telecommunications equipment and personal computers.

Samsung was helped by the depreciation of the Korean won against the yen, while the rise of the yen against the US dollar increased prices for Samsung's mainstay 4-megabit DRAM chip to \$12 from \$10.

Samsung has set a sales target of Won13,200bn for 1995, including \$12bn in exports as global demand increases for the 16-megabit memory chip that it began to produce last

year. However, analysts expect that growth in net profits in 1995 may be sluggish, because of a 30 per cent increase in investments to Won3,000bn.

Investments include Won700bn on research and development, and Won2,300bn on production expansion.

To finance the investment, Samsung plans to issue \$700m worth of depositary receipts and bonds this year against \$500m in 1994.

L.G. Electronics, the new name for Goldstar Electronics, reported that net profits for 1994 increased by 88 per cent to Won130bn as a result of higher sales of consumer electronics in Korea and brisk exports.

Sales increased by 23 per cent to Won5,300bn.

NEWS DIGEST

US cable TV groups seal QVC deal

The long-running takeover of QVC, the US home shopping TV channel, came to an end yesterday as Tele-Communications Inc (TCI) and Comcast, two leading US cable TV companies, said they controlled 88.7 per cent of QVC's equity, writes Tony Jackson in New York.

The \$1.42bn agreed deal, first announced last summer, had been held up by a challenge from the competition authorities.

The deal means that TCI, the largest US cable company, raises its stake in QVC to 30 per cent from about 20 per

cent, while Comcast, the fourth biggest operator, takes its stake to 57 per cent from 16 per cent. The two companies, which have long-standing links with QVC, bid jointly for the company last August in response to an offer from CBS, the TV network operator.

The competition challenge from the Federal Trade Commission (FTC) focused on the fact that TCI also owns a controlling stake in a rival home shopping channel, Home Shopping Network. QVC and Home Shopping control almost all the US market between them, with roughly equal shares.

Earlier this week, the FTC voted unanimously not to block the deal.

NEC and Groupe Bull in venture

NEC, the Japanese electronics group, and its affiliate comput-

er-maker Groupe Bull of France plan to sell a new very large mainframe computer in Japan and France in December 1995, writes Renter from Tokyo.

NEC said the two companies will jointly develop a next-generation version of NEC's mainframe computers, which NEC supplies to Bull on an original equipment manufacturing (OEM) basis.

NEC aims to sell about 80 new computers in Japan over the three years from December 1996.

NEC said the market trend is for open-system server computers. Earlier this month, it announced a development agreement with Hewlett-Packard, the world's leading supplier of OPEN-systems computers.

Last December, NEC submitted a bid for a bigger stake in the soon-to-be privatised Bull. But Mr Kobayashi declined to

comment on how many additional shares NEC would buy. NEC currently owns 3.74 per cent of Bull.

Repap returns to the black

Repap, one of North America's top coated paper producers, swung back to profitability in the fourth quarter with a strong recovery in product prices, reports Robert Gibbons in Montreal.

Net profit was C\$12.2m (\$8.8m), or 10 cents a share, against a net loss of C\$88.7m, or C\$1.05, share a year earlier on revenues of C\$514m, up 47 per cent. For the full year, Repap posted a net loss of C\$68.4m or 75 cents a share against a loss of C\$81m (after special charges) in 1993 equal to C\$2.50 a share.

Revenues were up 31 per cent to C\$1.7bn.

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COMPANY NEWS: UK

Provision for bad and doubtful debts cut by £368m

Lloyds Bank improves 26%

By John Gapper, Banking Editor

Lloyds Bank yesterday pleased the market by announcing a 26 per cent rise in pre-tax profits from £1,038m to £1,306m, as its retail banking business showed signs of resumed growth.

The outcome was buoyed by a 73 per cent decline from £503m to £135m in provisions for bad and doubtful debts.

Lloyds' shares rose 10p to 560p, prompting sympathetic gains among the other clearers, after the bank disclosed that its domestic net interest margin widened slightly in the year to December 31, and new mortgage lending rose 21 per cent, contributing to a 1 per cent rise in its domestic assets.

Sir Brian Pitman, chief executive, said Lloyds was starting the year "with a tailwind" for the first time in three years because customer balances were rising and there had been a "pick-up" in lending to small businesses.

Sir Robin Ibbes, chairman, indicated that the bank would not make further acquisitions until the completion of its £1.8bn purchase of Cheltenham & Gloucester Building Society, due this autumn after a vote of C&G members in the spring.

Sir Robin, who declined to discuss whether Lloyds might buy the outstanding 37 per cent of Lloyds Abbey Life, said it was "always wise to complete the task in hand before

rushing eagerly on to a new one".

The bank said there were "no plans for any issue of equity" to fund the purchase, although it is expected to reduce the tier 1 ratio of core capital to risk-weighted assets from 7.8 per cent to 5 per cent.

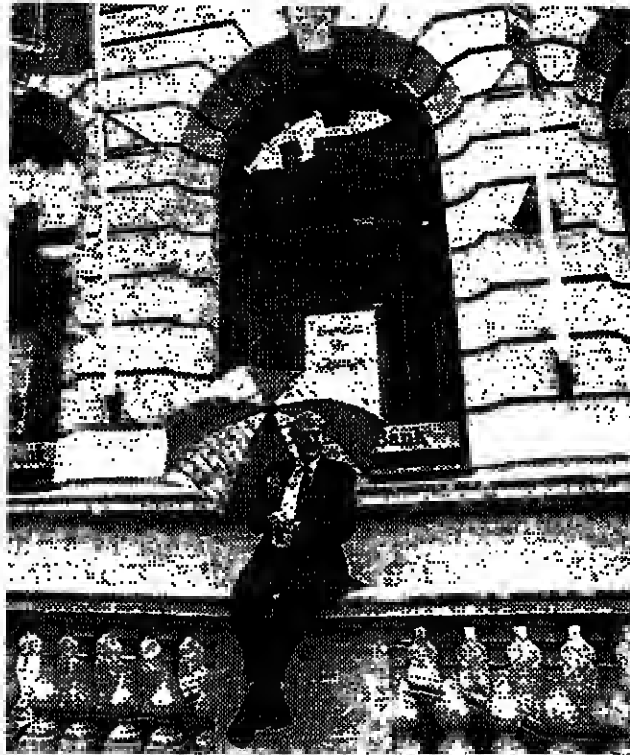
Sir Brian said that, without the C&G acquisition, Lloyds would already have become over-capitalised. Shareholders' equity grew by 20 per cent to £2,660m, and it raised an additional £800m in loan capital.

The final dividend is 18.3p, making 25.8p (22.1p) for the year, a rise of 17 per cent. Earnings per share rose 30 per cent to 61.7p (47.4p) and post-tax return on shareholders' funds rose to 23.7 per cent (21 per cent).

Staff received £44m (£37m) under the bank's profit-related pay scheme, and it will introduce a separate government-backed profit-related scheme from April. However, unions called for staff to receive further benefits from profits.

Although the trading surplus of income over expenditure fell by 6 per cent, from £1.51bn to £1.41bn, operating profits, boosted by the lower bad debt provision, improved 27 per cent to £1.28bn (£1.01bn).

Profits before tax in the UK retail banking and insurance division rose to £437m (£319m), while corporate banking and treasury contributed £302m (£280m) and private banking



Sir Robin Ibbes: keen to complete 'task in hand'

and financial services £26m (£98m). Pre-tax profits from international banking fell from £153m to £112m, partly due to a loss on a government securities portfolio held by Banco Multiplic, a Brazilian associate, and lower dealing profits elsewhere.

The problem country debt division contributed £324m (£260m) helped by a £248m release (£46m) of former provisions. Sir Brian said that the financial crisis in Mexico had "no material effect" on Latin American businesses.

See Lex

Wimpey acquires McAlpine minerals

By James Whittington

George Wimpey, Britain's biggest housebuilder, has strengthened its aggregates interests by acquiring Alfred McAlpine's UK minerals division for £43.5m cash.

The 16 quarries and five asphalt plants acquired are based mainly in Scotland and Wales and have total reserves of 100m tonnes. Net operating assets to be purchased were £38.3m at the end of 1994, while operating profit was £2m on turnover of £18.5m in the eight months to June 30.

The price includes an estimated £12m repayment of inter-company debt. Although the agreed price represents a premium to net book value, analysts said McAlpine had originally sought more than £50m for the businesses.

Mr Garry Forster, company secretary at McAlpine, said the money received would be used to reduce net borrowings of £30.2m at the end of December, bringing gearing down from 16 per cent to about 3 per cent. The disposal would be "broadly earnings neutral".

Mr Joe Dwyer, Wimpey chief executive, said the purchase was in line with the group's strategy of consolidating its aggregates division. It would "match perfectly Wimpey's current mineral operations, which are based mainly in Scotland and Wales".

The acquisition will add about 4.5m tonnes of dry-stone and 400,000 tonnes of coated stone to Wimpey's current output of 12m tonnes of dry-stone and 2.7m tonnes of coated stone. The combined quarries will make Wimpey Minerals the UK's fifth largest producer of dry-stone and fourth largest of coated stone.

Mr Richard Saville, finance director, said the purchase would probably increase gearing by some 5 percentage points but added that it would still be less than 20 per cent. He expected operational efficiencies and a cut in overhead costs to improve the acquired businesses' annual operating profits to £4.5m. He estimated rationalisation costs of about £1m in the first year.

McAlpine retains its US aggregates division and its UK specialist roofing slate and asphalt laying business.

Industry analysts described the sale as good news for both companies. Wimpey's shares rose 5p to close at 125p, while McAlpine's were up 1p at 164p.

The proposed sale will be put to McAlpine shareholders at an extraordinary meeting on February 27.

Strong second half at Forte's London hotels

By Motoko Rich

Forte, the hotels and restaurants group, said yesterday that sales in its London hotels had continued to improve in its second half. Occupancy rates remained above 80 per cent and the average price per room was up 10 per cent in the six months to January 31.

Posthouse, the UK three-star brand created in 1992, had performed particularly well. However, Forte had come under competitive pressure in the UK provinces, and hotels in northern Europe had performed unpredictably.

In September, the group reported pre-tax profits up 62 per cent at £60m for the six months to July 31, on sales of £859m.

It said changes in the accounting treatment of property sales subject to lease-backs would change some figures in the 1993-94 accounts: £410m would be added to net operating assets and £460m to liabilities. A non-cash accounting charge of £10m would be taken against 1994-95 profits.

The shares dipped 9p to 242p.

Mr Roy Tutty, deputy group director of Forte Hotels, has joined the Department of National Heritage on secondment for a year as tourism adviser.

Greenwich Comms losses reduced

Reduced annual losses were reported by Greenwich Communications, the USM-traded group which supplies and installs satellite television receiving equipment in Portugal.

The outcome of £45,300 before and after tax for the year to August 31 compared with losses last time of £85,300 and came on turnover down 15 per cent at £231,400.

Six more defections in Warburg 'brain drain'

By Conner Middelmann and John Gapper

The brain drain from SG Warburg's equity capital markets group continued yesterday with the departure of another six syndicate officials from the 30-strong team.

They are thought to have approached Morgan Grenfell, Deutsche Bank's investment banking subsidiary, with a view to joining their former bosses, Mr Maurice Thompson and Mr Michael Cohrs, who resigned as joint heads of equity capital markets on Tuesday to take up similar roles at the German bank's subsidiary.

The latest defections are Mr David Charters and Mr Jeremy Bailey, both directors, Mr Adam Shutever, Mr Bruce Rigal, Mr Hubert Keller and Ms Dawn Singleton.

The news was another blow to Warburg after five difficult months during which the bank has issued a profits warning, failed in merger talks with Morgan Stanley and largely pulled out of the eurobond market. Its share price fell by 25p to 725p yesterday.

Shareholders expressed some

concern, and one questioned whether Warburg's management, under Lord Cairns, its chief executive who is to become chairman in June, was as strong as it had been in the 1980s. "There seems to be a bit of untidiness there at the moment," said one investor. But another was "still comfortable" with developments, arguing that it mirrored uncertainty at other investment banks.

Warburg said: "Teams come and go - it's a fact of life," adding that the posts had already been filled internally. "Warburg has one of the best names in the equity business and that hasn't changed."

However, some say Warburg's syndicate expertise may prove hard to replace overnight. "They are one of the top teams in the market - innovative and creative, and they had the kind of deals that allowed them to develop new ideas and techniques," said a dealer.

Equity capital markets departments handle primary equity issues done through bookbuilding, including most international issues and some UK privatisations. Demand for highly qualified

equity specialists is likely to continue rising as houses jockey for position in the race for lucrative privatisation mandates. Bankers estimate that some £100bn to £200bn (£125bn) of state-owned companies worldwide are slated for privatisation in the next 5 to 10 years. "The fees earned on those mandates will be enormous," said one banker.

That may explain the heavy salaries being awarded to experienced equity syndicate bands. While packages of between \$1m and \$2m for senior executives are considered the norm, Cohrs and Thompson are thought to have been offered much more.

Distribution staff, such as sales and trading, and research analysts are also expected to be sought after as houses beef up their equity operations.

Warburg's highly rated corporate finance and research teams remain an asset for the bank which some say will facilitate a comeback. Primary equity business is "won by corporate finance and executed by sales - the syndicate team is just one link in the chain," said a rival syndicate manager. See Lex

Littlechild sparks Capel downgrading of generators

By Peggy Hollinger

The government's plans to sell its 40 per cent stake in National Power and PowerGen, the UK's two largest generators, yesterday suffered a further publicity setback as a leading London broker downgraded his recommendation on the shares.

James Capel, one of the few London brokerage houses not tied up in the international syndicate marketing the shares, has moved its recommendation from a buy to a hold after the publication of the pathfinder prospectus on Monday.

Publication had been delayed by a week after Prof Stephen Littlechild, the electricity regulator, warned the generators that he was monitoring their actions in light of recent high price rises.

Mr John Reynolds, Capel's electricity analyst, said the pathfinder had increased concerns over the issue. "The regulatory risk now is greater than at any stage previously."

His opinion was backed by other analysts who said the prospectus had failed to give as much comfort as it might have done. "The regulator gave virtually no indications of where the generators stand in terms of a possible Monopolies and Mergers Commission referral," said one.

The prospectus drew together recent statements made by the regulator on recent high electricity prices and undertakings to dispose of 6,000MW of generating capacity. If the regulator is not satisfied on either issue he has said he could refer the generators to the MMC.

See Weekend Money

Headway lowers deficit but gives warning

Headway, the packaging and furniture group, cut pre-tax losses from £693,000 to £221,000 for the six months to December 31, but warned that it might have to close its Aronstead garden furniture and nursery products company.

The shares yesterday dipped 2p to 40p.

Turnover was 19 per cent higher at £13.3m compared with £11.2m. Interest charges increased to £117,000 (£101,000) but there were no reorganisation costs against £190,000 last time.

Losses per share were reduced to 0.9p (£4.9p).

Styring returns to Comet as chairman to plan recovery

By David Blackwell

Kingfisher yesterday brought Mr Eddie Styring back to the troubled Comet electrical retail chain, among a string of other appointments.

He returns as chairman, to take charge of the chain's recovery plan.

The group said the moves illustrated the determination of Sir Geoffrey Mulcahy, who was last month demoted from executive chairman to chief executive, to take prompt and decisive action to get experienced retailers in all of its businesses.

Mr Styring, 50, was described

by one observer as "a steady pair of hands just when it's needed - but he will be imaginative as well".

He left Comet in 1990 to turn round European Brands, a management buy-out marketing cosmetics and haircare products. In the two years before he left, Mr Styring worked with Mr Brent Wilkins, now managing director at Comet, more than doubling operating profits to £29m.

Mr Martin Toogood has moved from retail director of Woolworths to become managing director of B&Q Supercentres under Mr Jim Hodgkinson, chief executive. Mr

Toogood is replaced at Woolworths, which has similar problems to Comet, by Mr Leo McKee, personnel director.

Mr Saad Hatties, formerly of Marks and Spencer, is leaving Woolworths and will be replaced by two trading directors from within Kingfisher to head merchandising and buying - Mr George Adams and Mr Kevin McCarten.

Sir Geoffrey plans to unveil the strategy to arrest the decline at Woolworths and Comet on March 14.

The shake-up at the top of Kingfisher followed clashes of management style and steep falls in profits.

BAA plans Manila venture

By James Harding

BAA, the airports group, is planning to build an airport terminal in Manila - its first outside the UK - in a joint venture with a consortium of businessmen from the Philippines.

The proposal to develop a new international terminal at Aquino airport, marks an important step in BAA's efforts to build an international business.

The project, details of which are still under discussion but observers estimate that it will cost \$300m (£194m). Of that, 25 per cent is expected to be provided by the two partners with BAA contributing less than half.

Construction of the terminal

director and chairman of BAA International, yesterday met President Fidel Ramos to discuss the plans.

Mr Edington has held a series of meetings with AEOC, a group of six of the country's ethnic Chinese business leaders, to discuss their joint undertaking to construct a 10m passenger terminal to open in 1998, the centenary of Philippine independence.

The financing of the project is still under discussion but observers estimate that it will cost \$300m (£194m). Of that, 25 per cent is expected to be provided by the two partners with BAA contributing less than half.

Construction of the terminal

is likely to be carried out by the joint venture, with BAA taking over the management of the airport on completion.

Forecasters of rising passenger traffic for the Philippines indicate that Aquino airport will have to increase its capacity from the current 6m people a year to 11m by 2003.

As well as the construction of the Manila terminal, BAA and AEOC are also considering developing a domestic terminal at the former US Clark Air Base, 60 miles north of the capital. Building the smaller airport at Clark is contingent on agreement for the international terminal, but could be finished as early as November 1996.

Senior served with contract writ

By Andrew Baxter

Senior Engineering, the tubular products, ducting and thermal engineering company, yesterday said it had received a writ in connection with a dispute over reliability problems on a completed UK contract.

The announcement comes only four months after Senior said problems on several contracts, and a shortfall in orders, in its thermal engineering division would leave 1994 pre-tax profits "significantly lower" than the £24.2m achieved in 1993.

The shares rose 8p yesterday to 78p in spite of the latest reverse, which concerns a contract in a large turnkey power project business - discontinued in 1992.

The statement was made partly to stabilise the shares, which had drifted from about 85p at the start of the year to 68p on Thursday, amid fears

that Senior's silence presaged further bad news from thermal engineering. In the event, the company stressed its confidence that 1994 profits, due to be announced at the end of March, would be in line with market forecasts of £18m to £19.5m.

The main problem in thermal engineering had been a significant, unidentified UK contract which had been hit by worsening cost overruns.

Although the final negotiations on the contract still involved some uncertainties, the company indicated the division would still break even in 1994, as previously indicated. Mr John Bell, chief executive, said some of the smaller contract problems had been resolved more favourably than initially expected.

He said the company would mount a vigorous defence against the writ, which it received last week. It involves a claim that was handed over to the customer in early 1993, and on which there was a warranty until this month.

Mr Bell said Senior had provided for the expected £3.5m cost for "fixing" the plant's reliability problem. Directors believed any further significant provision was unlikely.

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	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends/Shareholders' funds (£m)	Total for year	Total for year
Greenwich Comms	0.221	(0.282)	0.045	(0.051)	-	-	-	-
Headway	13.3	(11.2)	0.221	(0.221)	0.5	(2.8)	0.7	0.7
Lloyds Bank	-	(-)	1.304	(1.031)	61.7	(47.4)	18.3	22.1
Schibsey	-	(-)	-	(-)	-	-	6	24
								33
	NAV (£)	Attributable earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total for year
Investment Trusts	137.98	(142.88)	1.16	(0.722)	2.86	(3.46)	1.4	3.1
Ascentium	50.23	(-)	1.12	(-)	0.7	(-)	3.46	6.48
Primus Power	448.7	(482.84)	0.848	(0.882)	7.35	(7.65)	4.85	6.65
Greenwater	-	(-)	0.812	(0.473)	3.25	(3.05)	1.25	5.25
Jersey Phoenix	65.9	(64.4)	0.182	(0.255)	0.61	(0.85)	0.55	0.55
Murray European	-	(-)	-	(-)	-	-	-	-

Dividends shown net. Figures in brackets are for corresponding period. \$USM stock, \$/Afr £130m (£200m) provision for bad and doubtful debts. +Group US cents. +Comparative retained. @From November 1 1993 (date of incorporation) to December 31 1994. @Second interim makes 2.5p to date; paid gross to non-Jersey residents.

Castrol India advances 75%

By Peter Montagnon, Asia Editor

Pre-tax profits at Castrol India, the third largest company in the Indian lubricants market, rose by 75 per cent to £15.2m in 1994.

Burmah Castrol, which has targeted India as a high growth

area following its economic reforms, said that the increase at its 51 per cent-owned subsidiary reflected a 40 per cent increase in lubricant sales to 1.5m litres and a 32 per cent increase in turnover to £113.7m.

Mr Ian Pringle, Castrol Asia-Pacific director, said competition was intensifying following deregulation of the Indian lubricants market.

Castrol India, which is listed on the Bombay Stock Exchange, has declared a total dividend for the year of Rs7.50, double the previous year's level after adjustment for the scrip issue of May 1994. The company also announced a 3-for-5 scrip issue this time.

Analysts welcome take-out

سكيا من الاميل

infections in brain drain

by Trafalgar

and swings in bid referral



COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS
Analysts welcome shake-out

Metal markets ended the week in a nervous state after a few days of what one trader described as "carnage". Investment funds started to pull some of their money out of commodities and caused very sharp price falls. However, London Metal Exchange prices recovered late in the week and were helped again yesterday by substantial falls reported in LME stocks - which indicated that demand for physical metal remains solid.

Nevertheless, the performances of the LME metals varied greatly. By the close last night, copper for delivery in three months had regained most of its losses and was only 0.2 per cent below its starting level on Monday morning, at US\$2,874.50 a tonne. In comparison, nickel lost 11.8 per cent of its LME value over the week to close at \$8,553 a tonne.

Among the other LME metals, tin was down 2.15 per cent over the week, lead was down 6.1 per cent, zinc lost 7.6 per cent and aluminium ended 8.18 per cent down.

Metal prices have been heavily influenced over the last 15 months by investment funds, based mainly in the US. It was to be expected that at some point they would take their profits - \$1,000 a tonne on some metals - and quit the markets.

They moved this week, having decided to shift some of their money into reviving bond and equity markets. The "sell" signal seems to have been triggered late on February 9 by employment statistics which

indicated US economic growth was slowing at last. There was also concern that recent increases in US interest rates would hit two big metal users, the car and construction industries.

Many analysts welcomed the shake-out in metal prices as overdue because markets had become overvalued and needed to cool down. Mr Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group, said: "It brings some semblance of reality back to markets which had been driven too far upwards by speculative buying."

"Nevertheless, the underlying fundamentals still remain strong for all the metals. Consumption growth shows no signs yet of easing in any of the main markets."

Mr Lennon says the funds probably still have some selling to do. On balance, "it is likely that the present price rally will be short-lived and a further sell-off will take prices to below fair value currently justified by the fundamentals."

Mr Ted Arnold, analyst at the Merrill Lynch financial services group, also suggests that "there might be some good price rallies left in metals markets but they will be seen as opportunities to sell. I think the bear market is here."

At Old Market, an associate of Jardine Fleming, Mr Nick Moore suggests the present market situation is "a bit like watching a man on a tightrope - will he fall or will he make it across?" Mr Moore says the metals price fall was "a much needed dose of sobriety." It was not just a correction but "a de-rating of metal prices."

He suggests that prices might fall by 20 to 30 per cent from the peaks they reached in mid January. But this would still leave them at levels very profitable for producers.

While LME stock figures yesterday showed falls for all metals, the International Primary Aluminium Institute surprised the market with statistics showing that total aluminium stocks at western smelters rose to 3,584 tonnes in December.

Kenneth Gooding

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp Metal Trading)

ALUMINIUM 99.7 PURITY (\$ per tonne)

	Settle	High	Low	Open
Close	1800-11	1805-11		
Previous	1805-11	1805-11		
High/Low	1805-11	1805-11		
AM Official	1805-11	1805-11		
Kerb close	1805-11	1805-11		
Open int.	235,417			
Total daily turnover	67,287			
ALUMINIUM ALLOY (\$ per tonne)				
Close	1800-11	1805-11		
Previous	1805-11	1805-11		
High/Low	1805-11	1805-11		
AM Official	1805-11	1805-11		
Kerb close	1805-11	1805-11		
Open int.	2,206			
Total daily turnover	650			

LEAD (\$ per tonne)

	Settle	High	Low	Open
Close	574-6	580-4		
Previous	575-4	580-4		
High/Low	575-4	580-4		
AM Official	575-4	580-4		
Kerb close	575-4	580-4		
Open int.	40,288			
Total daily turnover	13,598			

NICKEL (\$ per tonne)

	Settle	High	Low	Open
Close	8400-10	8501-8		
Previous	8400-10	8501-8		
High/Low	8400-10	8501-8		
AM Official	8400-10	8501-8		
Kerb close	8400-10	8501-8		
Open int.	58,576			
Total daily turnover	23,282			

TIN (\$ per tonne)

	Settle	High	Low	Open
Close	5405-45	5405-45		
Previous	5405-45	5405-45		
High/Low	5405-45	5405-45		
AM Official	5405-45	5405-45		
Kerb close	5405-45	5405-45		
Open int.	241,221			
Total daily turnover	69,228			

COPPER, grade A (\$ per tonne)

	Settle	High	Low	Open
Close	2984-6	2974-6		
Previous	2984-6	2974-6		
High/Low	2984-6	2974-6		
AM Official	2984-6	2974-6		
Kerb close	2984-6	2974-6		
Open int.	241,221			
Total daily turnover	69,228			

COBALT, grade A (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

IRON, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

STEEL, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

STEEL, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

STEEL, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

STEEL, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

STEEL, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

STEEL, special high grade (\$ per tonne)

	Settle	High	Low	Open
Close	101-5-8	101-5-8		
Previous	101-5-8	101-5-8		
High/Low	101-5-8	101-5-8		
AM Official	101-5-8	101-5-8		
Kerb close	101-5-8	101-5-8		
Open int.	101-5-8	101-5-8		
Total daily turnover	101-5-8	101-5-8		

Precious Metals continued

GOLD COMEX (100 Troy oz \$/troy oz)

	Settle	High	Low	Open
Close	378.4	378.4		
Previous	378.4	378.4		
High/Low	378.4	378.4		
AM Official	378.4	378.4		
Kerb close	378.4	378.4		
Open int.	378.4	378.4		
Total daily turnover	378.4	378.4		

PLATINUM NYMEX (100 Troy oz \$/troy oz)

	Settle	High	Low	Open
Close	415.0	415.0		
Previous	415.0	415.0		
High/Low	415.0	415.0		
AM Official	415.0	415.0		
Kerb close	415.0	415.0		
Open int.	415.0	415.0		
Total daily turnover	415.0	415.0		

PALLADIUM NYMEX (100 Troy oz \$/troy oz)

	Settle	High	Low	Open
Close	181.0	181.0		
Previous	181.0	181.0		
High/Low	181.0	181.0		
AM Official	181.0	181.0		
Kerb close	181.0	181.0		
Open int.	181.0	181.0		
Total daily turnover	181.0	181.0		

SILVER COMEX (100 Troy oz \$/troy oz)

	Settle	High	Low	Open
Close	47.8	47.8		
Previous	47.8	47.8		
High/Low	47.8	47.8		
AM Official	47.8	47.8		
Kerb close	47.8	47.8		
Open int.	47.8	47.8		
Total daily turnover	47.8	47.8		

ENERGY

CRUDE OIL NYMEX (42,000 US gal \$/barrel)

	Settle	High	Low	Open
Close	18.45	18.45		
Previous	18.45	18.45		
High/Low	18.45	18.45		
AM Official	18.45	18.45		
Kerb close	18.45	18.45		
Open int.	18.45	18.45		
Total daily turnover	18.45	18.45		

CRUDE OIL ICE (42,000 US gal \$/barrel)

	Settle	High	Low	Open
Close	18.45	18.45		
Previous	18.45	18.45		
High/Low	18.45	18.45		
AM Official	18.45	18.45		
Kerb close	18.45	18.45		
Open int.	18.45	18.45		
Total daily turnover	18.45	18.45		

HEATING OIL NYMEX (42,000 US gal \$/barrel)

	Settle	High	Low	Open
Close	18.45	18.45		
Previous	18.45	18.45		
High/Low	18.45	18.45		
AM Official	18.45	18.45		
Kerb close	18.45	18.45		
Open int.	18.45	18.45		
Total daily turnover	18.45	18.45		

NATURAL GAS NYMEX (10,000 cu ft \$/unit)

	Settle	High	Low	Open
Close	1.85	1.85		
Previous	1.85	1.85		
High/Low	1.85	1.85		
AM Official	1.85	1.85		
Kerb close	1.85	1.85		
Open int.	1.85	1.85		
Total daily turnover	1.85	1.85		

UNLEADED CARBON NYMEX (42,000 US gal \$/barrel)

	Settle	High	Low	Open
Close	18.45	18.45		
Previous	18.45	18.45		
High/Low	18.45	18.45		
AM Official	18.45	18.45		
Kerb close	18.45	18.45		
Open int.	18.45	18.45		
Total daily turnover	18.45	18.45		

LONG TERM FRENCH BOND FUTURES (MATIF)

	Settle	High	Low	Open
Close	112.38	112.38		
Previous	112.38	112.38		
High/Low	112.38	112.38		
AM Official	112.38	112.38		
Kerb close	112.38	112.38		
Open int.	112.38	112.38		
Total daily turnover	112.38	112.38		

LONG TERM FRENCH BOND FUTURES (MATIF)

	Settle	High	Low	Open
Close	112.38	112.38		
Previous	112.38	112.38		
High/Low	112.38	112.38		
AM Official	112.38	112.38		
Kerb close	112.38	112.38		
Open int.	112.38	112.38		
Total daily turnover	112.38	112.38		

LONG TERM FRENCH BOND FUTURES (MATIF)

	Settle	High	Low	Open
Close	112.38	112.38		
Previous	112.38	112.38		
High/Low	112.38	112.38		
AM Official	112.38	112.38		
Kerb close	112.38	112.38		
Open int.	112.38	112.38		
Total daily turnover	112.38	112.38		

LONG TERM FRENCH BOND FUTURES (MATIF)

	Settle	High	Low	Open
Close	112.38	112.38		
Previous	112.38	112.38		
High/Low	112.38	112.38		
AM Official	112.38	112.38		
Kerb close	112.38	112.38		
Open int.	112.38	112.38		
Total daily turnover	112.38	112.38		

LONG TERM FRENCH BOND FUTURES (MATIF)

	Settle	High	Low	Open
Close	112.38	112.38		

FINANCIAL TIMES

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Weekend February 11/February 12 1995

Perspective on a panic

Pity Mexico, so far from God and so near to the US. But we now know that its proximity to the mighty neighbour is not without advantages. No other emerging market can hope to be rewarded for its follies with a rescue package of \$50bn, including \$17bn from the International Monetary Fund - almost a fifth of the latter's liquid resources and seven times Mexico's quota. Naturally, investors would like to believe that the strong arms of the US Treasury, the Federal Reserve, the IMF and the Bank for International Settlements stand behind all their emerging market investments in this way. It would be foolish for them to do so. They should take a long and careful look at the fundamentals. Instead, if they do so, they should feel a little better.

Such a long hard look has already been taken, for it is striking how the performance of emerging markets has diverged since December 20, the date of Mexico's botched devaluation. The Baring Securities emerging markets index fell 17 per cent in dollar terms between December 19, 1994 and February 9, 1995. Over the same period the Mexico index declined 43 per cent.

The big contrast in recent months is, as one might expect, between Asian and Latin American markets. Between December 19, 1994 and February 9, 1995, the Baring Securities index for Asia declined by 2 per cent. During the same period the Latin American index fell 29 per cent.

All losses are painful. But they are a natural part of investment, particularly in frothy, ill-regulated markets such as these. People who cannot bear to see the prices of investments decline should put their money on deposit and watch themselves become relatively poor. It is also important to put recent losses in the more encouraging, longer-term perspective. Since January 1991, the IFC emerging markets index is still up 69 per cent. That for Asia is up 57.4 per cent, while for Latin America it is up 23.2 per cent. Even Mexico's index is up 64 per cent.

Systemic crisis

This performance makes it more difficult to understand why Mexico's difficulties allegedly threatened a global systemic financial crisis. Yet it is this fear that Mr Michel Camdessus, the IMF's director-general, and Mr Alan Greenspan, chairman of the Federal Reserve, use as an argument for the extraordinary package put together to help Mexico. Perhaps a systemic crisis should be defined as one that worries Washington.

The problem was, of course, not in equities but in the market for

short-term, fixed-income, dollar securities - the *tesobonos*. But Mexico was uniquely vulnerable to such a liquidity crisis: it had an exceptionally large current account deficit of 7% per cent of GDP in 1994, and 65 per cent of all its borrowings were short term.

The reason the current account deficit matters is that the contraction in external borrowing may have damaging consequences for domestic financial stability and economic growth. Mexico's current account deficit in 1994 was not just two-thirds of the total current account deficit of Latin America, but almost 60 per cent of the combined current account deficits of all the major emerging markets of the Asia-Pacific region plus those of Latin America.

Resource flow
Also important is the role of short-term borrowing, which is where liquidity problems are most likely to arise. In most developing countries, this has played a relatively minor role. Between 1993 and 1994, the outstanding stock of short-term debt owed by all developing countries rose only \$17bn. Meanwhile, the total long-term resource flow to developing countries is estimated by the World Bank to have been \$227bn in 1994. 34 per cent of it in direct investment, 17 per cent of it in portfolio equity, and 35 per cent of it in long-term debt. Even after allowing for interest and dividends the net transfer was \$137bn, far larger than the net increase in short-term debt.

The big returns that were enjoyed in investment in emerging markets in the early 1990s will hardly be the norm. Some of the conditions for those returns were exceptional - particularly the way low short-term interest rates pushed US investors into mutual funds. For all that, Mexico, if not unique, is at least unusual in its low rate of savings, poor long-term economic performance, huge borrowings from abroad and reliance on short-term finance, just as it is unusual in the willingness of powerful institutions to bail it out under spurious pretences.

Investors must never forget that underlying the seductive story about investment in emerging markets has been the transformation of policies and the remarkable economic successes of many developing countries, particularly in east Asia. Chile shows that success is possible in Latin America too, if a country sticks to superior policies over long periods. None of this is threatened by anything that is happening to Mexico, or elsewhere. A diversified portfolio of emerging markets must remain an attractive part of the world economy of tomorrow.

The British prime minister calls it "one of the most dangerous propositions ever put before the British nation" and says it would lead to the break-up of the United Kingdom. The Labour party says it is essential in order to keep the UK intact.

The proposition is Labour's plan to legislate, in the first parliamentary session after coming to office, to set up a Scottish parliament to handle Scotland's internal affairs.

The devolution of power from Westminster to Edinburgh is certain to be a focus of intense controversy at the next general election. It raises important political issues for the whole of Britain and pressing economic questions for Scotland.

Not surprisingly, the heads of Scotland's main companies and financial institutions are anxiously studying Labour's plans. They fear a change in Scotland's constitutional position could have far-reaching consequences for business - especially if it means higher taxes. Unlike many other European regions, Scotland does not have its own assembly: this is because in 1707 the parliaments of England and Scotland agreed to merge under the Act of Union. Scotland kept its education and legal systems and its Presbyterian church as the established church. It now has administrative devolution through the Scottish Office, which reports to the secretary of state for Scotland.

A struggle for home rule has been going on in Scotland for most of this century. It came close to success under the Liberals on the eve of the first world war. In 1979 Labour passed an act setting up a Scottish assembly, but it failed to win the required level of support in a referendum, which was higher than a simple majority.

The present movement for a Scottish parliament got under way in the late 1980s, fuelled by the Conservative government's imposition on Scotland of Thatcherite policies. Most local voters rejected Labour, the largest Scottish party, was worried about the threat to its vote posed by the Scottish National party, which wants outright independence.

An opinion poll in the Glasgow Herald this week differed little from its predecessors over the past decade in showing that about 50 per cent of Scots asked wanted devolution, 30 per cent independence and 20 per cent the status quo, though only 15 per cent put constitutional change at the top of their priorities.

The scheme that Labour would implement involves a Scottish parliament that would have responsibility for all matters currently dealt with by the Scottish Office - such as education, health, local government, economic development and agriculture. Macro-economic policy, foreign affairs and social security would be left to Westminster.

There would be a Scottish executive, whose leader would probably be styled premier. According to the proposals of the Scottish constitutional convention (a grouping dominated by Labour and the Liberal Democrats but boycotted by the Conservatives and the SNP), the parliament would have 112 members.

Supporters of a Scottish parliament say its creation would make the government of Scotland more democratic. It would also "give Scotland the vitality that other European regions which have assemblies enjoy but Scotland lacks", says Mr George Robertson, Labour's shadow Scottish secretary. But it would have profound consequences outside Scotland.

Calls for a degree of autonomy for Scotland could have profound consequences for the UK, says James Buxton

Coming apart at the seams

Labour's plan is that the new Scottish parliament would be followed by a legislative assembly for Wales, and by assemblies (but without legislative powers) for those regions of England that wanted them. Scotland would continue to send 72 MPs to Westminster (49 of whom are currently Labour).

Mr Tam Dalyell, the Labour MP, has infuriated his party by asking "How do you have a subordinate parliament in part of a unitary state?" He asks whether English voters would tolerate a situation whereby Scottish MPs could vote on English domestic issues but English MPs had no say on Scottish ones (the so-called West Lothian question, named after the constituency Mr Dalyell represented when he first stood for election).

Mr Robertson replies that the setting up of a Scottish parliament will be part of a rolling process of decentralisation. The question of regional representation at Westminster would not be dealt with until the process was complete; in the meantime anomalies would be inevitable.

But a future Conservative government could tackle the West Lothian question either by reducing the number of Scottish MPs at Westminster (the size of Scotland's population merits 67) or restricting the subjects on which they could vote. Inevitably, therefore, the establishment of a Scottish parliament would not be a stable settlement. And further instability could be generated by the new financial relationship between Westminster and the Edinburgh parliament.

The Scottish parliament's room for manoeuvre would be tightly constrained. Labour intends that it would be assigned all income tax and Value Added Tax raised in Scotland. However, these revenues, plus local government taxes, met only 86 per cent of the Scottish Office budget in 1990/91 (the last time the question was examined in detail). Under Labour's plan, the Scottish parliament's funds would be topped up with an equalisation grant from Westminster.

The Scottish parliament would also have the power to "vary" income tax in Scotland by 3p in the pound. But it still would be largely dependent on Westminster to maintain public expenditure at its current level. Scotland would therefore be unlikely to break free of Whitehall control, since the Treasury would still want to assess Scotland's needs to calculate the equalisation grant.

Mr Robertson says the Scottish parliament's powers to vary income tax would be used "sparingly". But it seems unlikely that the Treasury would continue to top up Scotland's budget if the country tried to give itself an advantage over the rest of the UK by reducing Scottish income tax.

In practice, therefore, the parliament would have freedom only to



increase tax rates. That might be attractive to Scottish politicians keen to expand health services and education. However, if the Scottish parliament had varied the extra 3p in the pound in 1990/91, it would have yielded only an extra £400m, equivalent to 4.2 per cent of

impinge on Labour that it do nothing to put Scottish companies and institutions at a competitive disadvantage in the UK.

Scotland is far from being the depressed region of the UK that it is often perceived to be, particularly by Scots themselves. In 1993 it had gross domestic product per head higher than any region except East Anglia and the south east of England (without taking account of North Sea oil revenues which are not allocated to any region).

It used to be said that when the British economy suffered a cold Scotland caught 'flu, and that was certainly the case in the recession at the beginning of the 1980s. But in the 1990-1993 recession Scotland's GDP continued to grow by about 1 per cent a year while the UK as a whole suffered negative growth.

Furthermore, in 1991 Scottish unemployment dropped below the

UK average for the first time since the 1920s and is currently just beneath it, though still at the high level of 8.5 per cent.

Scotland came through the recession with much less pain than southern England partly because the preceding boom was less intense and home owners took on much less debt. But it was also because of structural changes in the Scottish economy.

Most heavy industry disappeared in the 1980s leaving Scotland with an economic base very similar to that of the UK as a whole, but with a slightly bigger public sector, reflecting higher spending on health and education. Financial and business services now account for almost as much of Scotland's GDP as manufacturing.

Heavy industry has been replaced by a strong electronics and computer industry based largely on inward investment from the US and Japan. Thanks mainly to exports from companies like Compaq and IBM, manufacturing output in Scotland in the year to September 1994 rose faster than that of the UK as a whole. But Scotland is weak in generating new indigenous businesses.

Leading companies have warned Labour that a higher Scottish income tax would harm business and discourage inward investment, though they have been reassured by Mr Robertson that Labour has no plans for a separate Scottish corporation tax or a different regulatory regime for financial services.

Andrew Bain, professor of economics at Glasgow university, wrote "recently that, provided tax rates were only varied within narrow limits, a devolved structure for Scotland 'need not necessarily have any significant positive or negative effects on the Scottish financial sector'."

But he also warned that it was important that devolution was not seen as a step on the road to full independence and did not arouse the resentment of the English. He thus touched on the so-called "slippery slope" argument: that a devolved Scottish parliament would lead to disillusionment in Scotland and serious disagreements with London, which would be exploited by the Scottish National party to achieve full independence. Indeed Mr Alex Salmond, SNP leader, says this would be his strategy.

Conversely, supporters of the status quo worry that a Scottish parliament could reduce Scotland's significance in the UK. As Sir Gerald Elliot, former chairman of Christian Salvesen, the distribution group, argues: "The main ingredient of our success is perhaps that we exploit to the full our privileged position as a small but enterprising minority within the UK framework."

That trick might be harder to sustain if there were fewer Scottish MPs at Westminster and no Scottish secretary in the UK cabinet to press Scotland's case for special treatment (his role would be difficult to justify if there were also a Scottish premier). A senior figure in Scottish finance has warned: "Eventually the English would say: 'Don't worry me, now you've got your ball, go and play on the back pitch.'"

Prof Bain says there would be no fears of instability or English resentment if Scotland were "accorded the same powers - no more, no less - than other regions". But that is not what Labour is offering.

Scotland and the Union, edited by Patrick Hodge. Published by the David Hume Institute, Edinburgh.

MAN IN THE NEWS: Sandy Wilson

A homemaker bails out

To many, the idea of spending almost £400,000 building a house would be a wild extravagance. It would not perhaps be in the same league as the garish palaces of pop stars, but a pricey property just the same. So the fact that the Royal Air Force could spend almost £400,000 simply renovating an existing house to suit a senior officer has, understandably, raised a few eyebrows.

"The really surprising thing to me is not that the RAF could spend that much money on refurbishing a house, but that it could set a budget of £250,000 to do the job in the first place," says one Ministry of Defence official. "The issue only became a scandal because the budget was overspent by £130,000. With cuts in the defence budget hitting every area, this extravagance speaks volumes about the cosy attitude which exists at the top of the services."

The tale of how Air Chief Marshal Sir Sandy Wilson came to spend so much money decorating his official house, Haynes Garth in Gloucestershire, is full of juicy tidbits. Walls were moved to make the building more commodious, £80,000 was spent on fixtures and fittings, including a mindboggling £30,000 on curtains and pelmet alone. An interior designer flew twice to Germany to discuss the project with Sir Sandy at his previous headquarters. For all that effort the nicest word that even the most creative estate agent can summon up to describe the house is "imposing". Haynes Garth remains an ugly building. Now, following the wester of criticism surrounding Sir Sandy and his house - and a report by accountants KPMG that Westwick Garth itself cost £100,000 - Haynes Garth is to be sold. Some estate agents reckon it may fetch as little as

£200,000. Sir Sandy, having been told by Mr Malcolm Riffkind, the defence secretary, that he no longer has ministerial confidence, is to retire early at 53.

Sir Sandy's fate seems a slightly odd end to the affair. If he was guilty of misjudgments, why was he not obliged to resign? If he was not, why is he being forced to go? The clash between a senior officer who two days ago seemed determined to hang on to his job, and ministers who felt they had to hold someone responsible, but are also sensitive to accusations that they are looking for a scapegoat, has ended in an awkward compromise.

Perhaps the fact which doomed Sir Sandy was that it had happened before. Some £30,000 was spent on his previous house at Rheindahlen in Germany shortly before it was sold to a private buyer. In the circumstances, early retirement looks like the line of least resistance.

Sir Sandy's career was like that of many on the fast track in the RAF. A pilot, as all very senior RAF officers tend to be, he graduated through the Cranwell training programme and worked as a flying instructor, before becoming a combat pilot flying Hawker Hunters. His promotion accelerated when he commanded the first RAFarrison at Port Stanley in the Falkland Islands following the end of the war with Argentina in 1982.

He moved to become head of RAF strikes command and in 1990 took charge of British forces in Saudi Arabia in the run-up to the Gulf war. However, as the operation moved more from air defence to large numbers of ground forces, Sir Sandy was replaced by a more senior officer, General Sir Peter de la Billiere, just before the war started. Sir Sandy was then transferred



review of forces pay due in the spring may result in higher performance-related pay for senior officers. And the perks are widely spread. The MoD owns 78 luxury properties used by officers. They are valued between £300,000 and £500,000 and with their large staffs cost almost £10m a year to run.

Some also see a hidden agenda to attack the RAF itself. While Sir Peter Harding of the RAF was chief of the defence staff, the air force was protected from some of the worst of the cuts in the Options for Change review which came at the end of the cold war. After revelations about Sir Peter's affair with Lady Buck last spring and his subsequent resignation, those who think the RAF is due for a shake-up have seized their chance.

The RAF's opponents argue that such incidents are evidence of a management problem in the air force. Unlike the other two forces, where field command means that it is difficult to hide personal management deficiencies for long, it is possible to rise within the RAF without being put seriously to the test. This air force's centralised structure means that it can be run by a small coterie of decision makers. Promotion is also decided by a small group and the RAF grows more heavily on dissent than even the other services. As a result no one who speaks out of turn gets promoted beyond the level of Group Captain, the equivalent of a colonel. The consequence, say the critics, is a small band of yes men at the top of the RAF who are very defensive and poor managers.

It would be easy to dismiss such criticism were it not confirmed by current and retired RAF officers. Of course, they say, there are exceptions, but in general the standard of the RAF's top leadership falls below that of the other services. The attitude which led Sir Sandy to spend, spend, spend while all about him were losing their budgets suggest the critics may be right.

Bernard Gray

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The rough road to Damascus

Faster progress in Israeli-Syrian talks is seen as vital for Middle East peace, says David Gardner

On a clear day, you can see the outskirts of Damascus from Avital peak on the Golan Heights. You would be sharing the view with eagles soaring overhead and one of the Israeli army's most sophisticated eavesdropping and look-out complexes, there to detect any sign of attack by Syria.

The dispute over this fertile volcanic plateau, crisscrossed with anti-tank ditches and the debris of battles past, is emerging as another threat to Middle East peace hopes, at present it is as intractable as the confrontation between Israelis and Palestinians over control of the West Bank.

Israel conquered the Golan in the 1967 six-day war and retained it against a Syrian onslaught in the 1973 Yom Kippur war. "We are psychotic over the Golan as long as there is even an inkling of a military threat," says one Israeli officer in Avital. "You could say that we keep this as a fully-loaded mountain."

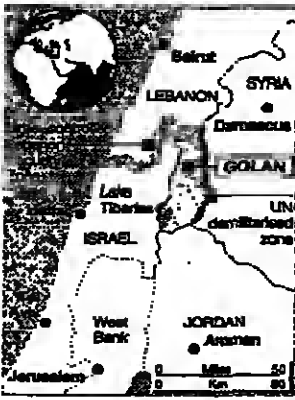
Syria, which wants to recover the Golan as a matter of national pride, is prepared to accept a full peace with Israel, including diplomatic relations and open borders, in exchange for a total Israeli withdrawal from the heights. Mr. Farouk al-Sharaa, Syrian foreign minister, said publicly in Washington last October that President Hafez al-Assad had made "a strategic choice for peace".

Israel and Syria have had 14 full meetings and several informal contacts since a Middle East conference in 1991, but senior Arab and Israeli officials

say little progress has been made towards an agreement between the two countries. "Neither side has stated exactly what it wants," says Mr. Osama el-Baz, political adviser to President Hosni Mubarak of Egypt, which is playing a pivotal mediating role following its peace with Israel in 1979.

The dispute is dangerous, and not just because leaving out an important Arab country such as Syria would cast a shadow over any "comprehensive" peace deal for the region. Damascus hosts the rejectionist factions of the Palestine Liberation Organisation, as well as Muslim fundamentalist groups from the Israeli-occupied territories; these include Islamic Jihad, which carried out the suicide bombing north of Tel Aviv last month that froze the already faltering Israeli-PLO peace process.

Moreover, through Syria's de facto control of Lebanon, Damascus is encouraging reinvigorated attacks by Hizbollah, the Iranian-backed Islamic fundamentalist militia, on the area of south Lebanon controlled by Israeli troops as a buffer zone, just across the narrow Hulah valley from the Golan. For the first time, secular PLO radicals such as the Damascus-based PFLP-General Command are fighting along



side the Islamic radicals in the "security zone". "The Israelis are trying to draw Israel into a major land operation which will further discredit the peace process," says a senior Israeli intelligence official. Syria, he says, wants a war of attrition before we sit down to do business, and this we are not going to allow. A senior field commander at Avital adds: "Assad cannot continue to sponsor Hizbollah in Lebanon and get back the Golan."

Thus, although the Golan itself has been quiet since the 1974 US-negotiated ceasefire, Israeli retention of the heights provides the motive for Syria to sponsor fighting on Israel's northern borders and attacks

by Islamic radicals inside Israel aimed at scuppering the whole peace process.

Apart from its claim to the Golan, the Syrian government resents Israeli success in bolstering its negotiating position by dealing with its Arab opponents one by one. Syria was part of the original Madrid talks which signalled the beginning of the Israeli-PLO rapprochement, and it initially ensured that negotiations proceeded at its own slow pace. Damascus was therefore shocked when Jordan reached a separate peace with Israel, which Israeli officials consider a triumph in halting pressure on the PLO and Syria.

But the Israeli government is far from unanimous on how to deal with Syria. Mr. Shimon Peres, Israel's foreign minister and peace architect, is said to be aware of the danger of turning Syria into "a strategic widow", while Mr. Rabin is reported by one of his aides as saying the Syrians "can spin in the wind like the energy-generating propellers" on the Golan if they will not do business on Israel's terms.

Some Israeli officials argue that it would be too much for Israel's security-obsessed population to give up most of the West Bank to the incipient Palestinian Authority, and to surrender the Golan as well. The



Syrian President Hafez al-Assad (centre), Yitzhak Rabin of Israel (left) and Yasser Arafat of the PLO

Heights are home to more than 20,000 Israeli settlers in 33 communities. In Israel, furthermore, where Mr. Rabin has promised a referendum on an eventual deal, right-wing resistance to a handover of the Golan is increasing.

In theory, returning the Golan should be easier than giving up the West Bank - which Zionist zealots consider the biblical heartland of Judaea and Samaria - because Israel has no ideological claim on the Heights. There is a

strong emotive link, because around two-thirds of Israel's casualties in 1967 and 1973 fell in the Golan. But Israel's future security needs are as likely to be met by a US-motivated plan to upgrade anti-missile defences as by control of a few hills.

The veteran Israeli commander at Avital, himself a Golan settler, would exchange the Golan for peace. "There's no question about it," he insists, "the strategic aim of Israel is peace. But it has to be

step-by-step, and you never turn your back."

Yet neither side appears capable of making the first move. "We don't understand each other's minds," says Mr. Yehoyada Haim, head of political research at the Israeli foreign ministry.

Israeli officials believe that Mr. Assad will want to settle with Mr. Rabin's Labour-led coalition, rather than risk victory in elections due next year by the right-wing Likud, and conceivably a Republican

administration in Washington. Arab commentators are not so sure. Mr. Assad, they say, is a man accustomed to biding his time.

"Assad is worried as to whether Rabin can deliver, given that he hasn't been able to deliver with [PLO leader Yasser] Arafat," on the Palestine autonomy package, says a senior Egyptian foreign ministry official.

Against this darkening prospect, Mr. el-Baz, whose government hosted last week's unprecedented Cairo summit of Egypt, Israel, Jordan and the PLO in an attempt to give momentum to the peace process, is calling for the US to arbitrate in a Camp David-style negotiation between Syria and Israel, just as the Carter administration mediated the Israel-Egypt peace.

In an interview with the FT this week, Mr. el-Baz warned that "if progress is stalled on either the Palestinian or Syrian (peace) track, that doesn't mean we stay where we are; we could have a very serious regression and be back to square one."

"If Israel stalls," he argues, "how can Syria then stop the rejectionist organisations? Caning the Palestinians and Lebanese from going underground?" He believes there are enough ideas on both sides for the US to produce drafts of an agreement that would synthesise the Israeli and Syrian positions.

Washington alone, says Mr. el-Baz, commands enough carrot and stick to induce an agreement.

You decide to buy a Buick and are given a Volkswagen instead. This is how US Senator Wendell Ford has characterised the increasingly common airline practice of booking their own passengers on to flights operated by other companies.

The arrangement is known as code sharing since it allows one airline to put its company code on a flight flown by another carrier. The advantage to the airline is that it can sell tickets to the flight without having to operate the aircraft - and offer passengers a more extensive service without investing in new routes.

In a 1993 letter to Mr. Federico Pena, US transportation secretary, Senator Ford said: "I, for one, am rapidly coming to the conclusion that code sharing may be the consumer rip-off of the decade. On its face, code sharing is inherently dishonest. It is a legal way of advertising one product, but then selling another. In virtually any other area of the economy, it would be fraud to engage in such a practice."

Despite such misgivings, the number of code-sharing agreements is rising fast. Between 1987 and February 1993, the US Department of Transportation approved 39 international code-share arrangements; a year later, the number had risen to 88.

Earlier this month, Virgin Atlantic of the UK and Delta Air Lines of the US received US government approval for a code-sharing agreement. Other prominent code sharers are British Airways and USAir, and KLM of the Netherlands and Northwest Airlines of the US.

The agreement between BA and USAir, for example, allows the UK company to offer flights from Heathrow to a large US city on its own aircraft. Passengers can then transfer to a USAir flight and travel to another US destination that BA does not serve.

Apart from avoiding the expense of setting up new routes, code sharing allows airlines to overcome regulatory hurdles, that prevent them flying to certain destinations.

Delta, for example, currently flies to London's Gatwick Airport. It cannot get UK government permission to fly to Heathrow, which it would prefer. Its code-sharing agreement with Virgin, however, means it can sell seats on the UK carrier's flights into Heathrow.

Airlines that have code-sharing arrangements insist they are good for customers too. The agreement usually involves baggage checked through to the final destination even though the passenger has to change flights and airlines. Frequent flyer points are often transferable between code-sharing partners.

Customers, however, are sometimes surprised to find that they are flying part of their trip on one airline and the rest on its code-sharing partner. The US Department of Transportation says it has received complaints from passengers who

Misguided code of conduct

Michael Skapinker explains how airlines share passengers with other carriers



objected to finding themselves on an airline they would not have chosen themselves. They also complain when the change means transferring from a jet aircraft to a turboprop.

One of the fiercest critics of code-sharing is American Airlines. Although the company now accepts that code-sharing is here to stay, and has concluded agreements with several airlines, it still thinks the system is wrong. "It's anti-competitive and deceptive to passengers," the airline said.

Other airlines that now champion the system opposed it in the past. Both BA and KLM described code sharing as "deceptive" in 1984, according to research by Mr. Barry Humphreys, head of air services policy at the UK's Civil Aviation Authority.

The UK Air Transport Users Council, a consumer organisation representing air travellers, was also an early critic of code sharing. But Mr. Tony Hockley, the council's economic adviser, says it is now more relaxed about the subject. Airlines appear to be making a greater effort to tell passengers that they will have to make part of their journey on a different airline, he says.

However, a spot check by the FT this

week indicated that, while airlines might be making more of an effort to tell customers they would have to change airlines, travel agents are not.

A London-based reservations employee of United Airlines of the US, asked about flights from New York's JFK airport to Glasgow, said without prompting that the final leg of the journey would be on a British Midland flight. Similarly, BA reservations said that a flight from Heathrow to Cleveland, Ohio, would involve switching to USAir in Philadelphia.

But inquiries to travel agents about the same flight were less encouraging. One said it would involve changing aircraft but that she would have to telephone BA to find out what airline would fly the second part of the journey. A call to another elicited the incorrect information that BA went all the way to Cleveland.

The US transportation department found that in 200 test calls to airlines and travel agents, inadequate information was given in 80 per cent of cases. The CAA last September telephoned 20 airlines offering code-sharing from the UK and found that 60 per cent did not say that another carrier would provide the second part of the journey.

In the US, airlines are required to provide customers with information about code sharing. The US government is now considering extending the rules to travel agents. The European Commission is studying what should be done in Europe. For information to customers is only one criticism made of code sharing. A second is that it is anti-competitive: if two airlines operate on a thinly-used route and they reach a code-sharing agreement, one is likely to drop out.

When Delta reached a code-sharing agreement with Sabena, the Belgian carrier stopped flying from Brussels to Atlanta - a route both airlines had previously served. Delta stopped flying from Budapest to JFK after concluding a code-sharing deal with Malev, the Hungarian carrier which served that route.

Mr. Michael Medcott, Delta's vice-president for Europe, denies, however, that this indicates that code sharing is anti-competitive.

There were too many seats chasing too few customers on both these routes, he said. Having reduced capacity, the code-sharing partners still competed fiercely with one another to sell seats on the flights they now shared.

Mr. Humphreys' personal view is that code sharing might be more trouble to the airlines than it is worth. Airlines could agree to co-ordinate flights, check baggage to final destinations and have cross-membership of frequent flyer programmes without code sharing, which requires government approval.

He says: "Code sharing has often been criticised for misleading the travelling public. Perhaps in reality it is some of the airlines that are misleading themselves."

Media interest in soccer violence has revived, says Simon Kuper

Football hooliganism is back in the headlines. From Europe to South America, the sports pages of daily newspapers are full of reports of violent acts perpetrated by soccer fans.

The current spate of reports began two weeks ago with the stabbing to death of a fan in Genoa. Since then, incidents from Chile to France have received widespread coverage.

In the UK, media interest has been aroused by two incidents in particular: an attack on a referee carried out by a Blackburn Rovers fan and an episode in London when Chelsea and Millwall fans invaded the field to fight each other and attack players.

On the face of it, football appears to be returning to the situation prevailing in the 1970s and 1980s, which culminated in 1985 in the worst-ever episode of football hooliganism when 39 Italian fans died at the Heysel Stadium in Brussels after a charge by Liverpool supporters. But is soccer violence really making a comeback?

It is certainly true that the number of incidents has declined since the 1980s when the UK was the main exporter of football violence and hooliganism became known as "the British disease".

Last year's World Cup in the US was a case in point, although the Americans had worried for years and hired a former Central Intelligence Agency official to take charge of security. Instead, Dutch and Irish fans hugged and exchanged shirts in Orlando.

Even the UK has appeared to be getting on top of the problem. The improvement began after 85 Liverpool fans were crushed to death at a game in 1989. Measures were introduced to make grounds safer. Fences in UK grounds were pulled down. The Taylor Report, written in 1990, forced clubs in the top two divisions to introduce all-seater stadiums. Ticket prices rose as clubs rebuilt their grounds.

As Professor Eric Dunning, a sociologist at Leicester University, says: "Hooliganism has never been away. But in contrast to the 1960s and 1970s, when you might say it was overreported, since 1990 it has been underreported."

The media's loss of interest in football violence came about largely because the UK government had itself begun to pay

Spotlight back on ruffians



A fan is escorted from a Turkish pitch: violence rising again?

smarter and safer. But violence continued at a lower level of intensity, although it was forced outside the grounds themselves.

Between 1990 and 1994, British transport police recorded 655 incidents of violence and misbehaviour involving fans.

Few of these incidents made the papers, however. This lack of coverage resulted in a belief that hooliganism had been stamped out.

As Professor Eric Dunning, a sociologist at Leicester University, says: "Hooliganism has never been away. But in contrast to the 1960s and 1970s, when you might say it was overreported, since 1990 it has been underreported."

The media's loss of interest in football violence came about largely because the UK government had itself begun to pay

less attention to the problem. Mrs. Margaret Thatcher, the former prime minister, hated football. She considered hooliganism a major social problem.

Her government nonetheless developed laws to introduce identity cards for football fans. Then, in 1990, the Taylor Report appeared, arguing that fans queuing in thousands to slide cars through machines could turn nasty.

So the government dropped Part 1 of its Football Spectators Bill. With no further solutions to offer, it recommended that English clubs be readmitted to European competitions from which they were banned in 1985.

In November 1990, Mr. John Major, a Chelsea fan, became prime minister. With Mrs. Thatcher gone, the British government became more sympa-

thetic to football.

Hooligans still existed, but politicians were no longer using football to get headlines. Newspapers began to forget the issue. With English clubs back in Europe, identity cards abandoned, and England reaching the World Cup semi-final in 1990, everyone felt better about the game.

Television companies had another incentive to stop covering fights in grounds. After the late 1980s, competition for TV rights to English games spiralled. The Football Association and the Premier League monitor TV programmes, and dislike bad publicity.

The media silence may have helped reduce the violence, since hooligans like attention - many collect newspaper articles about their crimes. Some sociologists said hooliganism had gone out of fashion. But as Mr. Bobby Charlton, the former England player, says: "Hooliganism is like terrorism - you can't prevent it 100 per cent."

Now media interest has been rekindled. This is partly because the recent acts of violence happened in a spate, partly because TV cameras can hardly turn away from a pitch invasion, and partly because football in the UK has become mainstream news.

Mr. Nick Hornby's memoir *Fever Pitch*, about life as a Chelsea fan, helped middle-class fans "come out". It is now respectable to talk about football, and fans in the media put it on the front pages.

Unfortunately, British newspapers today have few opportunities to write about great victories or great players. Paul Gascoigne, England's most creative player, has broken his leg, and Ryan Giggs, the Manchester United winger, has lost form.

This means the news is bad: bribes, drugs, hucksters, and Eric Cantona, the Manchester United player, kicking a fan. Now hooliganism has returned to the newspapers too simply because newspapers are keen to write about football. We should expect more bad news.

Summit should spur aid

From Mr. Nigel Twose.

Sir, Your article on the OECD's annual report on aid ("Poor nations suffer twin cash squeeze", February 9) highlighted the depressing outlook for aid to developing countries and provoked mention of two further points. First, the OECD's report is timely since, in less than a month, the world summit for social development will convene in Copenhagen to discuss a global anti-poverty strategy for the next century. This will call for donors to meet the UN aid target of 0.7 per cent of gross national product, which is 25 years old this year.

Only four out of the 31 leading donors have achieved this - the same four as five years ago. The fall in aid volume in 1993 - 6 per cent in real terms, the biggest drop in 20 years - makes a mockery of the call to

move towards this target.

Second, Britain was one of the few countries to maintain aid as a proportion of GNP in 1993, and is now above the OECD average. Yet spending plans show that Britain is moving closer to the edge of the aid giving board. Over the next few years, British aid will finally plunge, probably to the lowest level of GNP ever recorded.

In the run-up to the most significant UN summit on global poverty ever, could not aid donors such as Britain make a striking gesture and finally announce a clear timetable to move towards 0.7 per cent of aid?

Nigel Twose, international director, Actionaid, Hamlyn House, Macdonald Road, Archway, London N19 5PG, UK

Policy for Europe - that's how

From Mr. John Szemerey.

Sir, Re Lord Howe's article, "A better European policy for Britain" (January 30): How sad.

How right.

John Szemerey, 76, Mortlake, B-3000 Overfies, Belgium

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5538 (please set fax to "line"). Translation may be available for letters written in the main international languages.

Baffling rightwing sovereignty argument

From Charles Young.

Sir, I suspect many readers would be grateful if you would commission an article setting out the intellectual basis for the ideas of the rightwing critics of monetary union.

It is easy to understand why a left-of-centre nationalist might oppose the idea, since the left has traditionally been more ready to consider that government has a role in monetary policy.

However, it is baffling to hear monetary union

denounced as a threat to sovereignty by those who, in other contexts, are critical of the notion that meddling with the value of the currency is any part of a government's rights or duties. Many who previously favoured total governmental control of the currency were convinced by Lord Lawson's eloquence in favour of an independent central bank at the time of his resignation, and the onset of the last bout of inflation. (There can be no more persuasive advocate of

the need for burglar alarms than a successful larcenist.) Once government has been deprived of its ability to cause inflation, no further loss of sovereignty is implied by sharing a regulatory body with other countries.

Yet on Friday morning, Lord Tebbit could be heard on the radio proposing the view that the loss of government control over the currency was a threat to sovereignty - a view which has the surprising implication that national sovereignty only

equitable basis.

I am confident judges will resist the temptation to do any such thing and confine themselves to interpreting the law as it stands, not as they might like it to be. If the law needs changing, then it is for parlia-

ment to do it with full debate; not by unelected, unaccountable judges, however eminent or well meaning.

Tom Benyon, The Society of Names, PO Box 223, Adstock, Oxford OX1 2AF, UK

Courts should be about justice, not fairness, in Lloyd's awards

From Mr. Tom Benyon.

Sir, Your report, "Names fall out over sharing of compensation" (February 4/5), contains statements from Lloyd's Action Group leaders which imply that Appeal Judges should introduce an element of "fair-

ness" into whether Action Groups gain access to their court awards on a "first-past-the-post" basis, or whether (as deemed by those protesting) the other 44 cases should be heard first, the winners then apportioned on a written

Hardly evidence of robust and self-confident new world order

From Mr. Ian Rutledge.

Sir, Your editorial, "Mexico's rescue" (February 8), is one of the most thoughtful and fascinating for many years. Yet it fails to draw the correct conclusion. Since the collapse of the Soviet version of socialism we have been continuously told that only a laissez-faire, market-oriented approach to economic development is feasible. Indeed, it has become the wisdom of the day that the global capitalist market system is now so successful and powerful that no possible deviations from its parameters can be possible, a view seemingly now shared by many in the current Labour party leadership. Even the mildest suggestions of state intervention in the market are considered unwise and impracticable.

Then suddenly, a few thousand lightly-armed Indian peasants in Chiapas trigger off a wave of panic about the future of Mexico, at the time (and in spite of recent "wisdom about the event") unanimously praised as a paragon of "emerging markets". Within a year or so we are, to use a phrase of Mr. Michel Camdessus, director general of the International Monetary Fund, on the verge of "a true world catastrophe". The panic spreads throughout the great and the good of the global financial establishment and, in spite of the sub voce objections of some governments, there is a hastily-organised whip-round of \$500m to bail out the stricken US investors.

This is hardly evidence of a robust and self-confident new world order: hardly a vindication of Fukuyama's triumphalist "end of history". What it does indicate is contained in the last words of your editorial: a collapse in the "credibility of the market-oriented approach to development", and a very definite "lack of confidence in the self-correcting capacity of financial markets". Ian Rutledge, 19 Fairfield Road, Chesterfield S40 4TR, UK

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WORLD STOCK MARKETS

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Brush-off for positive inflation data

Wall Street

US share prices were mixed yesterday morning as the market took a bearish turn and brushed off positive data on inflation while noting price pressures further back in the economy, writes Lisa Bransford in New York.

At 1pm the Dow Jones Industrial Average was off 6.32 at 3,226.29. The Standard & Poor's 500 fell 0.38 at 479.81, and the American Stock Exchange composite was unchanged at 446.33. The Nasdaq composite shed 2.42 at 787.65. Volume on the NYSE was 172m shares.

In January, the producer price index rose 0.3 per cent, the Labor department said yesterday, which was below forecasts of a 0.4 per cent rise. Figures on the core index - which

excludes the volatile food and energy components - were even further below analysts' expectations. The core index rose only 0.2 per cent, compared with an expected 0.4 per cent rise.

Both the bond market and the broader stock indices, however, ignored the overall figures and reacted to data showing continued price pressures at earlier stages in the economic cycle. Prices of intermediate goods rose 1 per cent in January, which implied an annual rate of increase of 5.3 per cent.

Those intermediate figures were highlighted by Ms Susan Phillips, a member of the Federal Reserve's Board of Governors, and her comments added to the pressure.

By early afternoon the long bond was down nearly two-thirds of a point to yield 7.588

per cent. At the short end of the market the two-year note was off nearly a fifth of a point.

While bond market investors worried that inflation would erode the value of long-term securities, stock market investors acted out of concern that the Fed might raise interest rates again in the near term to control price pressures.

Technology shares helped the Nasdaq stay in positive territory. The Pacific Stock Exchange technology index was up more than 0.5 per cent. Among rising Nasdaq issues, Intel picked up 5% at \$77.75, Microsoft 3% at \$62.75, and Amazon 1% at \$68.75.

Cyclical posted modest gains with the Morgan Stanley index of those shares up 0.1 per cent, in spite of the falling market. Aluminum company of America rose 3% to \$60. Good-

year Tire 5% to \$38.4 and Allied Signal 4% to \$57.75.

Canada

Toronto was lower at midday with gains in gold and base metals stocks moderating declines in the market's other 12 sub-indices. The TSE-300 index fell 14.88 to 4,101.49 at noon in volume of 28.6m shares. Among active stocks, Royal Bank gained 1% to \$31.14 after the company's announcement of stronger fourth quarter results.

Brazil

Equities in São Paulo pared losses in late midday trade in a technical recovery following recent sharp falls.

The Bovespa index was off 647 at 33,389 by 1pm in turnover of R\$76m (\$31m). The

index has dropped 14.1 per cent in local currency terms so far this month.

In spite of some buying by investors, analysts remained concerned over whether President Fernando Henrique Cardoso would get political support in getting his charter reform proposals approved by congress.

Mexico

Stocks climbed in mid-morning trade as investors cautiously welcomed a report that President Ernesto Zedillo had ordered the capture of the leader of the Chiapas rebels.

The IPC index was up 35.46, or 1.3 per cent, to 2,970.75. The BVLMSI AERES opened on the upside in a technical rebound from Thursday's 5 per cent fall. The Merval index was up 3.5 at 400.37.

Slowdown highlights the influence of Nokia

Christopher Brown-Humes on Helsinki's prospects

Is Helsinki starting to lose its gloss after two consecutive years as Europe's best performing stock market?

After a disappointing autumn, the bourse has continued to lose ground this year, with the Helsinki closing yesterday at 1,831.0, down 0.9 per cent since last December 22. A generally gloom mood has been reflected in lower turnover levels and reduced levels of foreign buying. At the same time, share prices have failed to respond to results which, generally, have been ahead of expectations.

Sentiment has not been lifted by the Bank of Finland's decision to raise its key tender rate yesterday, the second increase in three months. The increase, from 5.5 per cent to 5.75 per cent, underlines the fact that Finnish interest rates have turned after plunging levels not seen since the 1930s.

The situation on the bourse highlights the divide between Nokia, the booming telecoms group, and the rest of the market. Nokia accounts for 29 per cent of Helsinki's FM180bn market capitalisation and it drove the bourse up single-handedly by 17 per cent last year, without it, the index would have fallen 4.2 per cent.

This year Nokia has again forecasted that the shares would run up to SKR145.

Stora peaked at SKR495 in immediate response to its 600 per cent increase in 1994 profit before turning back to finish SKR1 down at SKR489, with analysts noting profit-taking after the share's 13 per cent rise over the last three months.

Written and edited by William Cochran, John Pitt and Michael Morgan

South Africa

Brokers saw little new to influence the equity market, and mild profit taking left gold, in particular, lower in spite of a steady bullion price. The gold index fell 26.8 to 1,627.8 as industrials fell 21.9 to 4,399.1 and the overall index by 18.4 to 5,234.1. In miners, Freegold shed 150 cents at R49.50.

Heavy foreign buying helped drive the Finnish market up by a staggering 90 per cent in 1993. But at the end of last month foreigners held 17.8 per cent of Finnish shares, down from 21.5 per cent at the end of

last August. The question is whether this is temporary profit-taking, or signifies a broader shift away from a highly cyclical market after two very good years.

Domestic buying has also been more subdued, partly because money freed from time deposits at the end of last year has not been invested in equities to the extent expected.

One of the things that has influenced perception of the market has been the sharp strengthening of the markka over the last half year. The trend has undoubtedly dampened earnings prospects for some of the country's big exporters, particularly in sectors like pulp and paper and

tions. Separately, a FMI5bn global share issue by Kymmene, Finland's second largest forestry group, was pulled in December because it failed to meet the company's price target.

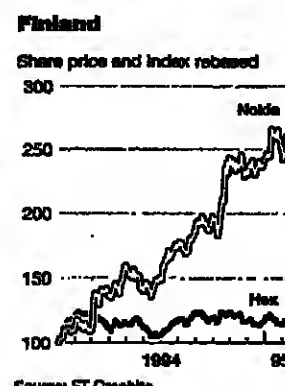
These difficulties are forcing the Finnish government to slow the pace of a privatisation process that is heavily dependent on foreign investor interest. A planned offering for Neste, the big oil and petrochemicals giant, was expected to go ahead in the spring; but this has now been deferred until the second half of the year. Even that date may be jeopardised if the Social Democrats win the general election. They are opposed to the privatisation of "strategic" state assets, and may well consider Neste in that light.

However, reduced privatisation would be good for market liquidity, however. There is also likely to be a lower flow of corporate share issues. After the rebuilding of the last two years, many of Finland's big groups have much healthier balance sheets and cash flows are very strong.

These factors should help to support the market at a time when most analysts consider the Finnish market to be undervalued on fundamentals. Helsinki is trading on a price/earnings ratio of around 9.5 times 1995 earnings, against a European average closer to 14.

"The market looks very cheap," argues Ms Taina Ujas, an analyst with BZW in London. She says that if Nokia is excluded, the market is still 25 per cent below its 1993 peak - and this at a time when big companies are in much better competitive shape than they were six years ago.

Just how good a shape should become apparent over the next few weeks as a flood of corporate results hits the market. Expectations are running very high, both with respect to profits and dividend pay-outs, but that does not rule out the scope for pleasant surprises. They could prove to be the trigger for a new spurt of buying which drags the market out of its current doldrums.



Source: FT Graphix

EUROPE

Paribas suffers as French equities retreat

Bourses decided to take their lead from US treasuries, rather than US equities yesterday afternoon, and in some cases they ended well off their best, writes Our Markets Staff.

PARIS retreated in late trading as the CAC-40 index shed 5.04 to 1,869.40, after a 1,897.73, for a week's gain of 1.5 per cent in turnover of nearly 6.5bn.

Paribas suffered from reports that accounts prepared for Ciments Français in 1991 had been "falsified" to show a profit rather than a loss. Paribas, which four years ago had a stake of 88.8 per cent in the company, lost FF7.90 or 2.3 per cent to FF329.50. Mr Simon Hopkins of Nomura in Paris remarked that the report was bad news for a company which had already been affected negatively by outstanding loans to property developers.

Accor, off FF30 at FF557, was buffeted by rumours, which it denied, that a number of banks holding a large amount of guaranteed debt in the hotel group might be considering exercising a put option. Accor was already heavily geared and any aggravation of the debt burden would worry investors, analysts maintained.

FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE 100	1940.17	1948.64	1948.44	1948.04	1949.79	1951.22	1952.17	1948.20
FT-SE 250	1407.00	1405.00	1405.04	1405.04	1407.55	1408.04	1408.04	1408.04

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OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES

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OIL EXPLORATION & PRODUCTION

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PHARMACEUTICALS

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73	5.94	-	-	Country Casuals	11

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195	-1	179	81	18.1	5.7	27.2	5.5

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108	-1	158	173	16
51	-1	54	88	44
17	-1	138	117	28

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46	4	yield after 1 year, 1988	perishing scrap
48	14.1	is assumed dividend	rights issue
74	11.8	yield after scrap recd.	H Yield caused
-	-	in British steel market	uncertainty of

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year, D.E. based on prospectus or other official estimates.

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Prudential chief quit after UK Treasury intervention

By Robert Peston, Political Editor, in London

Evidence supplied to the Stock Exchange by the Treasury was partly responsible for the resignation last month of Mr Mick Newmarch as chief executive of the Prudential Corporation, the UK's biggest life insurer.

The evidence came from a meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Newmarch shortly before the Prudential chief executive carried out the option dealings under investigation by the exchange.

It has also emerged that Sir Brian Corby, the Prudential's non-executive chairman, could face a Stock Exchange reprimand for authorising Mr Newmarch's controversial share option transaction last October.

Mr Newmarch, one of the City of London's most influential figures for a decade, resigned in dramatic circumstances last month, in part because of the embarrassment caused by the

exchange's probe of his dealings. The transactions being probed were carried out on October 25 last year when Mr Newmarch made a profit of £202,775 (£314,300) from exercising options covering 208,750 shares and then selling them.

In a preliminary finding, the exchange's share listing department found Mr Newmarch guilty of breaching its model code covering directors' dealings. The exchange also believes Sir Brian was wrong to authorise the transaction. Mr Newmarch and Sir Brian have appealed the finding and their appeal is being considered by the Listing Executive, a group of exchange executives.

It emerged yesterday that evidence vital to the Stock Exchange's preliminary judgment was provided by the Treasury. The evidence stemmed from a meeting between Mr Newmarch and Mr Clarke a few days before he exercised the options.

The meeting, held at Mr Newmarch's request, discussed the Securities and Investment

Board's review of the mis-selling of personal pensions. The SIB findings - were published just hours after Mr Newmarch exercised his share options.

If Mr Newmarch had detailed advance knowledge of the SIB report, then he would have been in breach of the Stock Exchange's model code on directors' dealings, which prevents company directors from dealing when they have unpublished information which could potentially be price sensitive.

After the Stock Exchange started investigating the affair, Mr Newmarch said that he did not have a copy of the SIB report.

However, the Treasury intervened. It provided evidence to the exchange that the chancellor had been left in no doubt during the meeting with Mr Newmarch that the Prudential chief executive had detailed knowledge of the SIB report.

The Prudential says it is convinced Mr Newmarch did not breach its own dealing code.

Maxwell pensioners win £276m out-of-court settlement

By Nicholas Denton in London

Thirty thousand pensioners won a £276m settlement yesterday from the remnants of Robert Maxwell's failed media empire, investment banks and accountants, bringing to an end one of the largest and most complicated financial disputes in the UK.

Mr Bob Cole, former press officer to the Maxwell group of companies, celebrated with a glass of champagne. "I am immensely relieved," he said. "It has been three years of agony and living on eggshells."

Trustees of the pension funds accepted an offer of £276m (£427.8m) in compensation which, under other monies, will fill the £400m hole in the funds' finances and safeguard the pensions of 30,000 former Maxwell employees. Most current Maxwell pensioners are covered by temporary schemes and so the greatest beneficiaries of the agreement are the 20,000 former employees entitled to a future pension.

Goldman Sachs is believed to be contributing about £75m and another US investment bank, Lehman Brothers, is thought to be paying about £90m. The two took pension fund assets as collateral in deals with Maxwell group companies. Coopers & Lybrand, auditor of the failed Maxwell Communication Corporation, and Maxwell group companies are providing most of the remainder.

The parties to the settlement will thus avoid litigation and further potential embarrassment. One trustee said yesterday: "Everybody wins, except the lawyers."

Yesterday's deal must be approved by the High Court. Two other disputes are still being contested, but yesterday's participants believe the "global" or "major" settlement is safe.

It is more than three years since Mr Maxwell fell from his yacht and died, having stolen from pension funds associated with his group.

The search for a settlement has involved five trustees, 12 pension schemes, five sets of solicitors representing pensioners, the more than 10 respondents, as well as 30,000 current or future pensioners.

Trustees hailed the result as a personal triumph for Sir John Cuckney, adviser to Mr Peter Lilley, the social security minister who has extracted an improved offer from Lehman Brothers and other institutions.

On top of the £276m compensation payment, the government is making an interest-free loan of £15m to the funds. A combined surplus in the 12 pension funds of £70m brings the additional money available to more than the total £400m shortfall.

Europe row

Continued from Page 1

Major's staff had merely been given a copy of the chancellor's address in advance.

Mr Major, on a regional tour in Oxford, in the English midlands, tried to play down the crisis. He said Mr Clarke had "made it clear we are a long way away from the right economics for a single currency. Those are the realities which the chancellor spelt out last night and I have spelt them out since 1990."

Even some Eurosceptics suggested that Mr Portillo may have overreached himself by slapping down Mr Clarke so publicly.

Several MPs said that with both Mr Clarke and Mr Portillo claiming to speak for the cabinet, Mr Major now had no choice but to take sides to restore his authority.

Sir Mark Lemmon-Boyd, a former Foreign Office minister and one of 106 signatories of a backbench motion praising Mr Major's increasingly tough stand on a single currency, said the chancellor had the right to make his views known.

Mr Peter Temple-Morris, a prominent pro-European, said ministers were setting the wrong example. "If the cabinet so manifestly can't get its act together there is no hope for the rest of us."

UK retailer launches loyalty scheme card

By Neil Buckley in London

The supermarket price war in the UK took a new turn yesterday as Tesco, the second-biggest food retailer, unveiled a nationwide customer loyalty scheme, offering customers money-off vouchers according to how much they spend.

Tesco's magnetic card, called Clubcard, has been on trial in 14 stores and is to be launched in all its 500 stores from Monday.

Start-up costs have been put at £5m (£7.7m), but Tesco said it expected to cover the cost of discounts to customers through increased sales.

Predictions of an immediate "loyalty card war" were confounded, however, when J.Sainsbury, the UK's largest grocer, rejected a national loyalty card scheme as too costly. It said it would continue to use local loyalty cards for limited periods, mainly to attract customers into new stores.

Mr David Sainsbury, chairman of Sainsbury, claimed that annual administration costs of a national scheme would be £10m. Argyl, owner of food retailer Safeway, has made no decision about extending a loyalty card

scheme being tested in 25 stores. Should Tesco's scheme, which is open to all customers, prove successful, however, other groups may be forced to follow suit.

Analysts drew comparisons with the "Green Shield stamp war" of the 1970s, when retailers vied with one another to reward shoppers with trading stamps which could be collected and exchanged for goods. Tesco withdrew from the scheme in 1977, lowering prices to compensate, and provoking a price war.

Tesco said its new scheme differed from trading stamps in that it not only encouraged customers to shop in its stores but, since all transactions were recorded on a computer, it enabled it to build up a powerful database of customers' names, addresses and shopping habits. That information could be used for marketing purposes.

Clubcard members will have their card - which will not be used for payment - swiped on each shopping trip, and be awarded two points for the first £10 they spend, and one point for each £5 after that. Every quarter, they will receive discount vouchers according to the points amassed.

Mexico crackdown on peasant uprising

Continued from Page 1

raise questions about whether Mr Zedillo's government is a worthy recipient of \$20bn of swaps and loan guarantees that the US is making available as part of a \$50bn international rescue package. Mr Mack McLarty, a senior adviser to President Bill Clinton,

said yesterday that Mr Zedillo was "fully committed to political and judicial reform".

A government spokesman said yesterday Marcos was still at large, despite rumours to the contrary in Mexico City.

One observer said: "If Marcos is not captured soon, the psychological boost to Mr Zedillo's presidency will fade fast."

The Mexican press yesterday widely depicted Mr Zedillo's move as a gamble to shore up his unpopular presidency and to boost morale in his Institutional Revolutionary Party, which is trailing badly in the campaign for state elections to be held on Sunday in Jalisco.

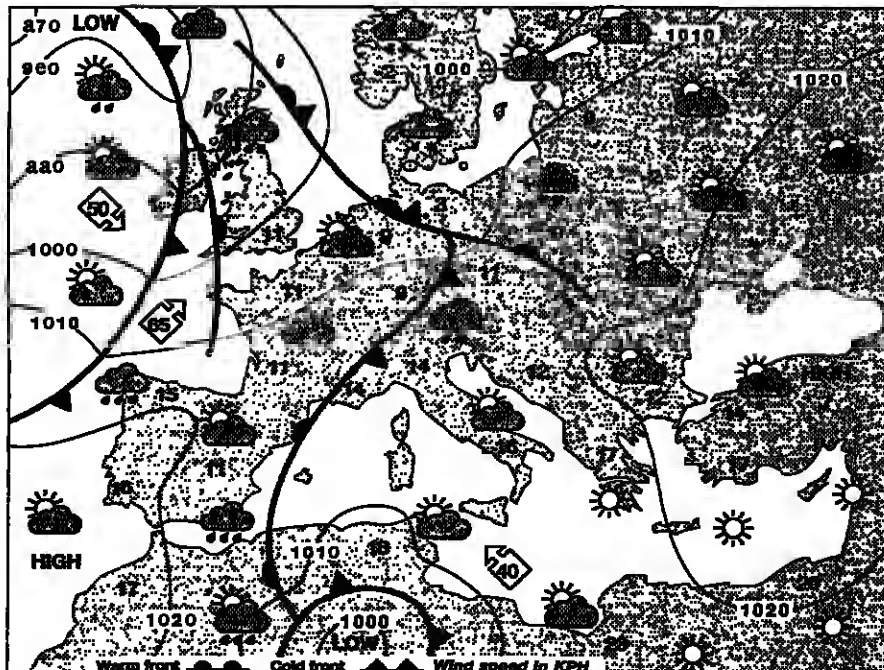
FT WEATHER GUIDE

Europe today

An active frontal system will move over the British Isles, western France and northern Spain bringing cloud with a good deal of rain, especially over central Britain. Another front, stretching from central Europe to the western Mediterranean, will bring cloud from eastern Spain to Poland. Spain and Germany should have rain, while snow is expected in Poland. It will be mainly dry with sunny spells in central Spain. High pressure will ensure dry conditions in the Balkans and the central and eastern Mediterranean. It will be partly cloudy with some sunny spells in Italy and the Balkans, and sun will predominate in Greece and southern Turkey.

Five-day forecast

Rain and wind will sweep over western Europe into Scandinavia. More rain is expected in the British Isles, the Low Countries, Germany and France. Rain is also due in Spain and Portugal, as a disturbance moves through the area. It will be mainly dry in central and eastern Europe, but northern regions will be cloudy. The Balkans, Italy, Greece and Turkey will stay dry with sunny spells.



TODAY'S TEMPERATURES

Location	Temp	Location	Temp
Abu Dhabi	sun 23	Madrid	sun 23
Accra	cloudy 17	Belgrade	rain 12
Algiers	cloudy 17	Berlin	rain 12
Amsterdam	cloudy 8	Bogota	rain 21
Athens	sun 17	Bombay	sun 33
Atlanta	sun 17	Brussels	cloudy 9
B. Aires	cloudy 28	Budapest	cloudy 9
B. Jean	rain 9	C. Jagan	rain 1
Bangkok	rain 36	Calao	sun 20
Barcelona	shower 13	Cape Town	rain 26

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Location	Temp	Location	Temp
Casablanca	rain 12	Cardiff	rain 9
Chengdu	rain 12	Cardiff	rain 9
Chongqing	rain 12	Cardiff	rain 9
Cologne	cloudy 10	Cardiff	rain 9
Dakar	cloudy 24	Cardiff	rain 9
Dallas	rain 7	Cardiff	rain 9
Dubai	sun 28	Cardiff	rain 9
Dublin	rain 11	Cardiff	rain 9
Dubrovnik	rain 15	Cardiff	rain 9
Edinburgh	rain 2	Cardiff	rain 9

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Lufthansa

Warburg's woes

LEX COLUMN

S.G. Warburg has been on the verge of crisis since its failed merger talks with Morgan Stanley last December. Its strategy of building a global investment bank on a go-it-alone basis has been damaged. Morale has plummeted. This week a team of eight bankers in its equity capital markets division, including the talented two chiefs, resigned. Unless morale can be restored, the headhunters encircling the bank will have a field day.

At such a time, the senior management should be articulating a clear strategy. Instead, it has retreated into a bunker. Confusion has been compounded by the fact that important management changes leaked out this week without any clear explanation of what they meant. Day-to-day control of operations was shifted from Mr Derek Higgs and Mr Nick Yervy - the men previously seen as the main lieutenants of Lord Cairns, the chief executive. In the process, it looks as if Lord Cairns has accumulated further power.

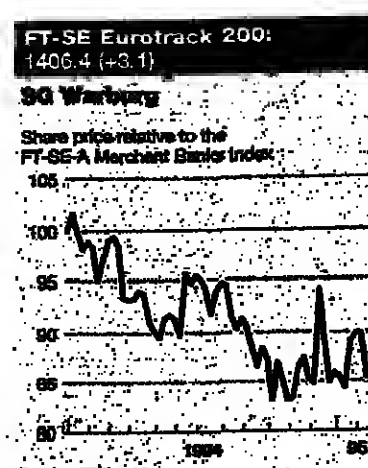
Stopping the drift will not be easy. Warburg is in a strategic bind. The three main options available to it - pressing ahead with its global strategy, merging with another investment bank, or retrenching to a more profitable core - all have problems.

The go-it-alone global strategy no longer carries conviction. Warburg not only suffers from a weak US securities business, last month's decision to axe its international bond operations means it now lacks one of the main products offered by integrated investment banks. Theoretically, Warburg could build up its US operations and fill other holes in its international strategy. But this would be expensive and it would be hard to convince shareholders that it was worthwhile.

Merging with another bank could give Warburg global reach. But the group has already seen the damage caused by botched merger talks in an industry where the main assets have legs and can walk.

Cutting back to the core might look an attractive way of improving profitability. The snag is that as peripheral businesses are closed, what previously seemed to be core could easily become peripheral. The core international equity business has already been weakened by this week's resignations and the decision to pull out of international bonds; if the US operations were cut back, the international equity business would be further damaged.

Though none of Warburg's options is appetising, the bank might make a



success of any of them if it was able to win the confidence of staff and shareholders. Unfortunately, it lacks such leadership. Though Lord Cairns has many qualities, communicating effectively is not one of them. That need not prevent his taking over from Sir David Scholey as chairman in June. But there are no plans to replace him with a new chief executive. Whatever the theoretical arguments for and against combining the roles of chairman and chief executives, Warburg's current plight cries out for an inspirational chief executive. Its board should send out a search party without delay.

Lloyds

Lloyds sprang some pleasant surprises yesterday. The most unexpected was not the 26 per cent increase in pre-tax profits, nor even the 17 per cent dividend rise. Rather, it was the expansion in the domestic banking business. Not only did domestic net interest margins widen, but there was even growth in the loan book during the second half. The improvements were not spectacular. But they do contradict conventional wisdom that earnings from the clearing banks' UK retail businesses can only be driven through cost-cutting.

Lloyds has underperformed the banking sector ever since it was left strategically bereft following its failed bid for Midland in 1982. Until its latest strategy, the purchase of Cheltenham & Gloucester, is approved by the building society's members in March, the shares will remain under a cloud. Thereafter they could continue to underperform. Maintaining earnings momentum this year could prove difficult.

cult. Yesterday's results contained a large number of positive exceptions. Though dealing profits may be better than last year, they are unlikely to match the bumper results of 1993. And although Lloyds' costs are under control, it started rationalising early. Therefore, unlike its rivals, Lloyds is unlikely to generate further meaningful earnings growth through downsizing. Lloyds admitted yesterday that without the C&G acquisition, the bank would already be overcapitalised. Despite C&G's £1.8bn price tag, Lloyds will probably find itself with a similarly high capital ratio within two years. Lloyds will then need to consider paying special dividends or buying back shares. It could find that distributing cash does more for shareholder value than further acquisitions.

UK supermarkets

Tesco's push to offer loyalty cards to customers smacks of a vicious escalation in the food retailers' price war. But it provides an effective means for supermarkets to protect themselves from the competitive threat of discount retailers. Tesco may be offering 1 per cent discounts on most products, but this should actually cost less than 0.5 per cent of sales, even after counting administrative costs. In exchange, it gains an invaluable marketing tool, through a database itemising individual spending habits. And it also creates a means of retaining those shoppers. J.Sainsbury has already demonstrated - through DIY subsidiary Homebase - that loyalty cards can provide a buffer against price wars. The result should be a decline of less than £10m in next year's profits, while the longer-term benefits could be substantial.

Sainsbury's seemingly naive protests notwithstanding, it seems inevitable that those competitors that can will follow suit. There is a danger that the big three - Tesco, Sainsbury and Safeway - may battle over the extent of discounts offered. But the main losers will be stores that cannot offer similar schemes. These will range from corner shops and medium-sized food retailers to the likes of Woolworth and W.H. Smith.

The food retailers have outperformed the stock market by 26 per cent over the past year, and the latest competitive tool provides an excuse for profit taking. Discount tools invariably spell short-term pain. But it is likely to accelerate the dominance of the leading supermarkets.

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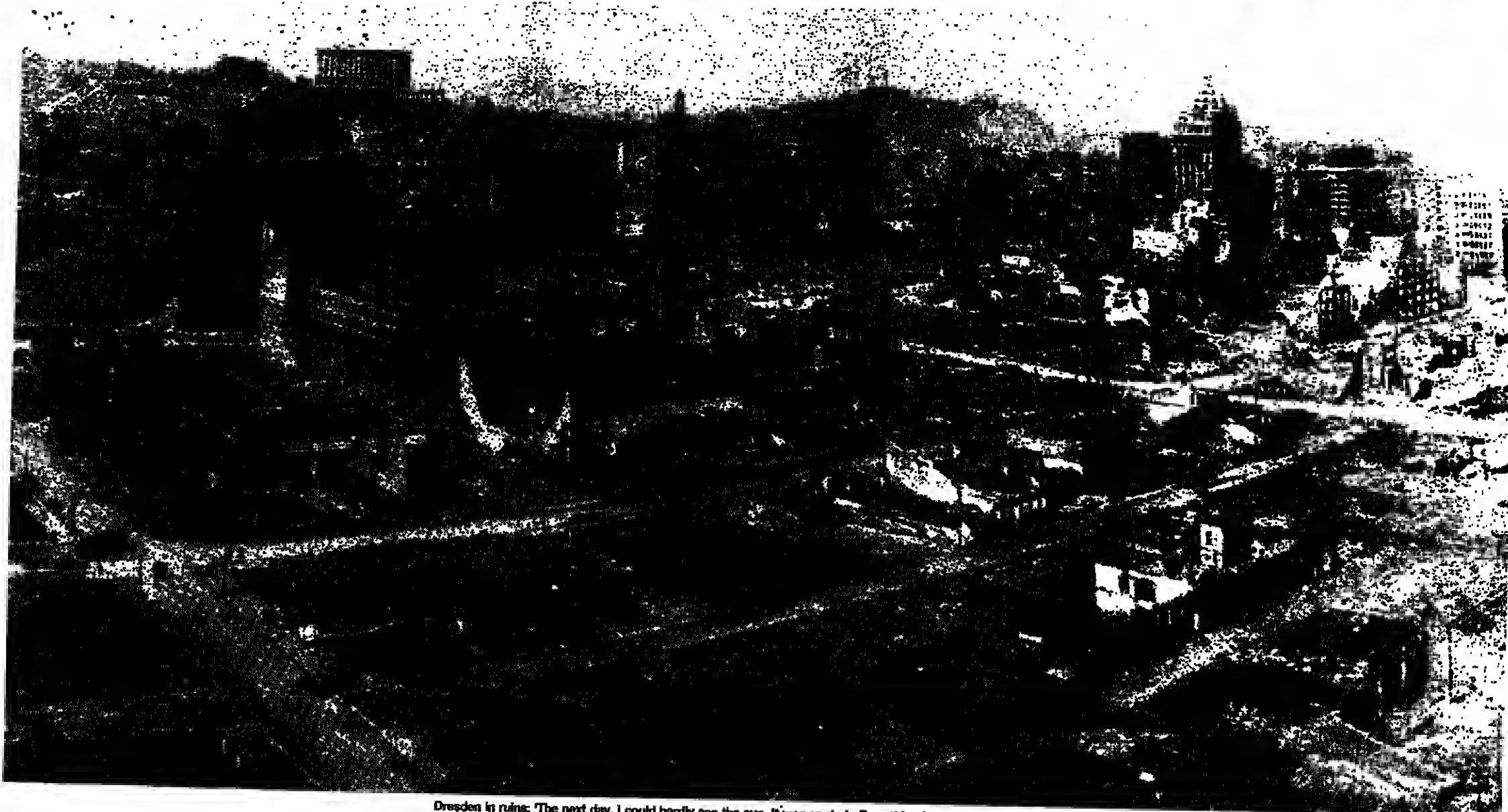
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Weekend FT



Dresden in ruins: 'The next day, I could hardly see the sun. It was so dark. Everything I saw had been destroyed.'

The night the innocents died

Allied bombing flattened Dresden exactly 50 years ago. Judy Dempsey asks survivors what it was all for

It was my father's birthday," recalled Ernst Hirsch of the night of February 13 1945, the night British and American aircraft bombed Dresden. "We lived on Johann-Georgen-Allee in the city's Innenstadt [centre]," said Hirsch, then eight years old. "For safety, children were already being sent to the countryside. But I was allowed to spend the day in Dresden. We were going to have a small celebration for my father. It was his 55th birthday."

During that February evening 50 years ago, there had been several air-raid alarms - nothing new for the city's 630,000 population which had swelled during the war as many refugees sought refuge in Dresden after fleeing the fighting in the east. Many were living in the cellars of churches and houses; 300 were

in the bowels of the Frauenkirche, in the heart of the city. "At 9pm I was sent to bed," recalls Hirsch. "I was sleeping in the cellar. Soon, I felt the whole house shake. It was the first bombing raid. My mother wanted to go upstairs to get more bedding. But the house was already burning." The raid, which started at 10.03pm, lasted 25 minutes.

As happened when Hamburg was bombed in the summer of 1943, the first raid over Dresden created a firestorm in which super-heated air rose explosively, pulling in cool air from the periphery in hurricane force winds which fed the central blaze. Within minutes, more than 15 sq kms of the city's elegant buildings, streets, museums, churches, and art galleries were engulfed in the flames.

Three hours later, at 1.22am, there was another raid.

"We had managed to get out before it started. The entire street was in flames. We rushed, like so many other people, to the Grosser Garten, [the city's public gardens]. We thought we would be safe in the open. But they dropped bombs there as well. We were so afraid."

In the course of the two Allied raids, 772 Lancaster bombers had dropped 1,477 tonnes of mines and explosives, and 1,181 tonnes of incendiary bombs. Almost all the 7,400 homes and public buildings in the Innenstadt were destroyed. Nearly 35,000 people were killed.

"The next day, I could hardly see the sun. It was so dark. Almost covered in ash. Everything I saw had been destroyed," said Hirsch.

"The Red Army arrived in Dresden on May 7 1945. We were occupied," Hirsch continued.

"Those times were frightening. During the month of April 1945, very early in the morning, three men knocked on our door. We were living on the outskirts of the city. My mother was out working in the fields, like so many other women, trying to feed the city. My father was taken away. I never saw him again."

Who took him away? "The Russians."

Why? "My father had been a judge. He had been in the [Nazi] Party. But he never prosecuted any Jews. He stayed in east Germany after the war, unlike many other judges who went to west Germany. They took him away because he belonged to a bourgeois family."

Did you ever find out what happened to him? "We tried. We wrote to the authorities."

Did you ever get a reply?

There was no information about his whereabouts. No record of a trial. No details about his imprisonment or death. No recourse to the law. Nothing. It was like what you read in Solzhenitsyn's Gulag Archipelago."

Hirsch paused to show me photos of inter-war Dresden, once called the Florence of the North. "I was playing in the street the day they told my mother that Father had disappeared."

He was not allowed into the Gymnasium, or secondary school. "That was for working-class children." Instead, he joined the Zeiss-Ikon optics factory in Dresden, eventually becoming a photographer and cameraman for the local television service. He never joined the East German Socialist Unity, or communist party. He lost his job in 1968 when he refused to support the Soviet

invasion of Czechoslovakia. Only once was he allowed to travel to the West - in 1986 - to film. "I went to Italy. It was marvelous. The freedom to travel. The colours. The light. When I returned, my wife and I applied to emigrate. We finally got permission. On October 3 1989, just as things were beginning to change. Nevertheless, we left."

Hirsch, who returned to Dresden in 1993, is now responsible for the film and documentary archives of the Frauenkirche. The church is being rebuilt as a symbol of Dresden's former glory, and the destruction of war.

As you collect old film and photographs about the Frauenkirche and the city, what do you feel about the bombing of Dresden?

"It was total war. Aimed at demoralising the people. Did that strategy succeed? It had no effect whatsoever. It was too late."

□ □ □

"I can still feel the intense heat of the fire."

Ursula Schinck, aged 71, was sitting in the study of her home which is perched high over Dresden.

On December 23 1944, she

CONTENTS



Cruises: Four-page special: luxury sailing from the Amazon to the Barmer Reef VII-X

Weekend Investor: News and views XXI, XXII

Food and drink: To decant - or not to decant? VI

Sport: Greg Norman - golf's great enigma reaches middle age XI



Skating: Downhill tips: turkey sandwiches make you go faster XIV

Books: The unauthorised Tony Blair XV

Arts	XVII, XVIII
Arts Guide	XIX
Books	XV, XVI
Bridges, Chess, Crossword	XX
Fashion	IV
Food & Drink	VI
Gardening	XIII
How To Spend It	V
James Morgan	XXI
Motoring	XIV
Perspectives	II, III
Property	XXI, XXII
Sport	XI
Travel	VII-X
Weekend Investor	XII, XIII

NEXT WEEK
Salmon: the end of a noble line



Joe Rogaly

Think of it as protection

The poor are still with us. It is in your interests to help them

The poor are an awful nuisance. They spoil the view, fill slums, demand social assistance, beg in the streets, frequently get sick, drag schools down, tug at our conscience, frighten us, breed criminals, take to drugs - and worst of all, feed our subconscious terror at the thought of becoming unemployed, dependent on a state pension, out of luck, out of money, no longer one of us but one of them.

Can it have been Britain's lowest classes that Stephen Norris had in mind this week when he described users of public transport as "dreadful human beings"? Surely not. The minister for more motor cars is by all accounts an amusing and intelligent fellow, one who might have expected not to be taken out of context, or worse, literally.

Yet his phrase is a gift to the Labour party. It is impossible to resist the temptation to apply it to yesterday's report on income and wealth from the Joseph Rowntree Foundation. I will come to the JRF findings in a moment; just note for now that there is further evidence that, distressing as it may be to be very poor in any circumstances, it is worse under the Tories.

This must be set beside the daily accumulation of news items that suggest that since Margaret Thatcher took office

in 1979 it has been lies to be rich, and positive ecstasy to be super-rich. A single painting could sum up this view of British society today. It would show a corpulent, sun-tanned power industry boss in a limousine, and a gang of pale, thin, bored, angry young men on the pavement.

No, I am not exaggerating. Not much, anyway. Turn to that JRF report, which is signed by, among others, Howard Davies. He is no pinko. He is director general of the Confederation of British Industry. The report's most devastating conclusion, drawn from a variety of statistical sources, is that during the 1980s the poorest fifth of Britain's population got *nothing* out of economic growth. Families in public housing, pensioners on state benefit and the long-term unemployed, are among those who received little or no real increase in income.

Some members of this "underclass" are actually worse off than their equivalents in the late 1970s. The authors say that an increase in inequality might be justifiable if the living standards of the lower income groups rose even slightly along with the rest, but this did not happen.

In short, there is no sign of "trickle-down", a term used to describe the rubbing off of some of the benefits of

national wealth creation from the rich to the less well paid. The liberal American economist J.K. Galbraith has his own version of this theory. The way he tells it, if you feed sufficient oats to a horse, there will be something at the end of it for the sparrows. The trouble with the Thatcherite 1980s is that the sparrows did not even get as much of what emerges from the back end of

'Just think about how safe you feel in certain streets at night'

horses as they had a decade earlier.

I am not asking you to express soppy sympathy for unmarried mothers in council flats. Just think about how safe you feel in certain streets at night. A divided society is insecure. This ultimately threatens everyone, including the middle classes. "Just as in the last century it was in the interests of all to introduce public health measures to combat the spread of infectious diseases fostered by poverty," says the report, "so in this century it is in the inter-

ests of all to remove the factors which are fostering... drugs, crime, political extremism, and social unrest."

In short, Britain is becoming more like the US, a country where the well-building industry is the one to buy into. Walls around prisons, walls around ghettos, walls around the affluent. On this side of the Atlantic we can see where Reaganomics led; the mystery is why we are following the same short-sighted pattern.

It may be protested that you cannot have economic growth without some people getting richer. Granted, and good luck to them. Yet if you look at selected industrialised countries there is no clear correlation between the extent of inequality and economic performance.

During the Thatcherite 1980s the gap between rich and poor widened in Britain more rapidly than in any other country save, curiously, New Zealand. Such comparisons are never precise: there are too many statistical differences between countries. The trend is, however, clear. So is the futility of "trickle down".

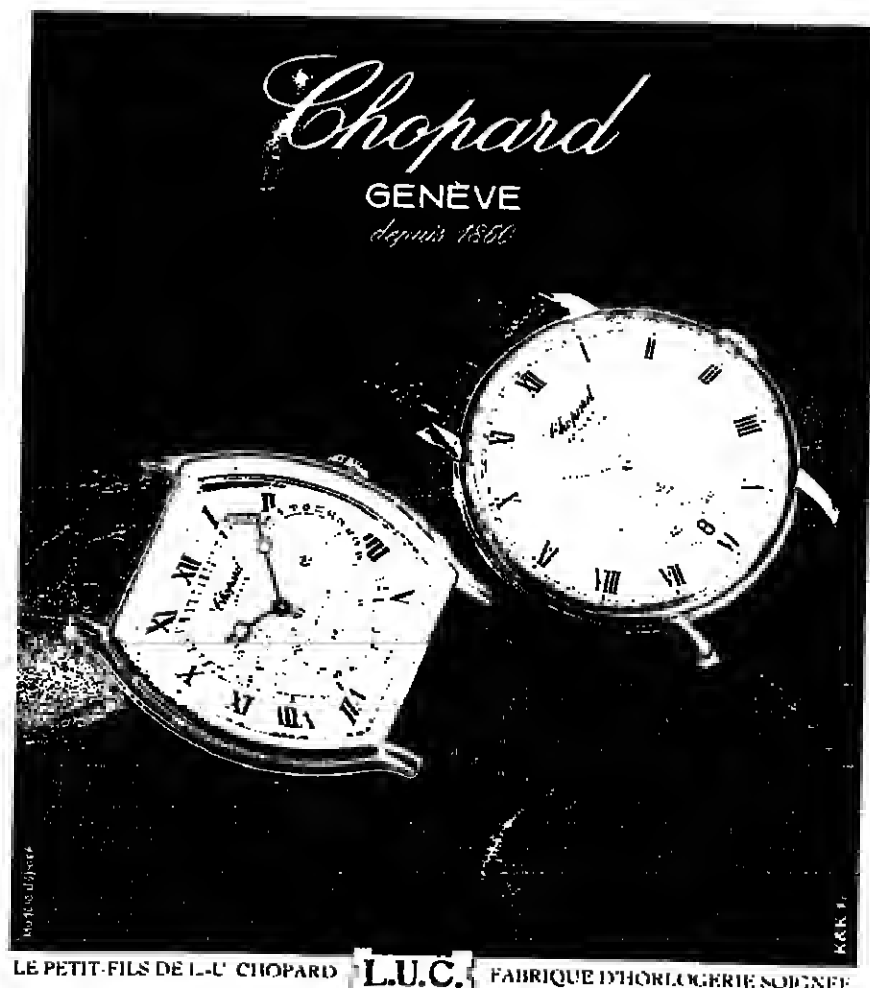
Taken over the whole of 1979-1994, the whole of British national income was not particularly impressive when set against previous postwar periods or other countries.

No one, not the Labour

party and certainly not the Rowntree committee, has suggested putting the clock back to 1979. The shift in the balance of taxation from direct to indirect imposts is taken as given. There is no suggestion of a higher rate for higher earners, merely a lower one for the lower paid. It would be prohibitively expensive to uprate social security payments in line with earnings rather than prices. That link could not easily be restored. The repositioning of the welfare system into one that encourages work is a commonly-held objective.

You see? There is no revolution in sight. What is on offer is a list of specific improvements: to education and training, childcare, social security rules, and, in the gentlest possible way, some elements of taxation. As in last year's similar report from Labour's commission on social justice, the implication is that benefits should be targeted, not universal. The Tories patented that one, and much else in the list besides, but their attitude is mistrusted.

This is why Tony Blair did so well out of inequality this week. The Labour leader's message about the need for the community to support the individual, in tune with the 1990s even if the changes he would make are marginal. Never mind. Every little helps.



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PERSPECTIVES

The Nature of Things

Waiting for the big wave

Gravitational ripples through space could cast light on the birth of the universe, writes Clive Cookson

Cosmology feeds on violence. The most violent cataclysms in the universe, such as the destruction of a giant star in a supernova explosion, can reveal fundamental forces and particles that remain hidden under calmer conditions.

A priority at present is to detect the "gravitational waves" generated by such violent events.

For 30 years scientists have been looking without success for these ripples through the fabric of space - originally predicted by Albert Einstein in his general theory of relativity. Now they plan to spend several hundred million dollars of public money on more sensitive detectors.

The main reason for pursuing gravity waves is that "they give us an entirely new window on the universe", says Ken Pounds, chief executive of the UK Particle Physics and Astronomy Research Council. "Until now, astronomers have only had one way of looking at

what's happening, with electromagnetic radiation [light]."

Light comes in a vast spectrum of frequencies, from long-wave radio through microwave and infra-red, visible and ultra-violet radiation, X-rays and gamma rays. But photons, the particles that carry light, are subject to certain fundamental limitations - in particular, they cannot escape from inside the densest and most energetic systems in the universe.

So astronomers who try to observe a collision between two black holes, for example, can detect electromagnetic radiation only from the outer fringes of the event.

Gravity waves are not constrained in this way, so they would provide our first direct view of the way space behaves under extreme conditions.

Cosmologists are especially excited by the prospect of glimpsing the most violent explosion of all time, the birth of the universe itself in the Big Bang. We cannot "see" the universe when it was less than 300,000 years old using electromagnetic radiation, because it was too dense before then for photons to escape. Gravity waves, on the other hand, may still be reverberating around the universe from the first microsecond of its existence.

To imagine gravity waves,

think of space as a two-dimensional sheet. A ball rolling across the sheet would set up tiny ripples analogous to gravity waves. These could be detected by measuring the way they distort space, squeezing in one direction and stretching in the other.

The problem is that gravity is far weaker than the electromagnetic force that gives rise to light, so gravitational radiation is correspondingly feeble. The distortion expected is so slight - about one part in a million billion - that gigantic detectors are needed.

Scientists are planning four instruments: two in the US (Ligo), one in Italy with

French participation (Virgo) and one in Germany with British participation (Geo 600). All will use a technique called laser interferometry.

Each detector will be L-shaped, with two long arms at right angles. The arms are identical vacuum tubes - 4km long in the Ligo instruments and 600 metres in Geo 600 - with super-smooth mirrors at both ends. In the middle of the "L" is a laser, whose beam is split and sent down the two arms.

The twin laser beams are reflected up and down the arms several hundred times, and then allowed to recombine at the centre. This gives a

characteristic "interference pattern" of light and dark fringes. If a gravity wave passes, it will slightly alter the relative distance travelled by the two beams and produce a corresponding change in the interference pattern.

Since the instruments are measuring such tiny effects - a gravity wave will elongate or compress each arm of Geo 600 by no more than one-thousandth the diameter of an atomic nucleus - they will be engineered with unprecedented precision and isolated from noise and vibration with an elaborate series of dampers. Even so, the instruments are bound to be jolted occasionally

by terrestrial events. The scientists will weed out these local artefacts by comparing the output from different machines. Only a real gravity wave would give the same signal at instruments thousands of kilometres apart.

A more important reason for building a worldwide network of interferometers is that on its own would give no idea of the direction from which a wave had come.

Jim Hough of Glasgow University, a leader of the Geo 600 project, says four big detectors are needed to pinpoint the wave's origin in space, by timing its arrival at each site. Although scientists are still

short of funds to build the whole network, they hope at least three instruments will be working by 2000.

At the same time they are planning the next step: a network of gravity wave detectors in space. The European Space Agency is considering the Lisa project, in which four satellites 5m kilometres apart would fire lasers at one another.

Few scientists doubt that gravity waves exist. Indeed, astronomers have obtained indirect evidence for their existence by observing super-dense binary stars; such systems move in a way that exactly matches the predicted loss of energy through gravity waves.

But no one has much idea what cosmologists will learn from observing the violent universe through a gravitational window, any more than Galileo knew what great discoveries in optical astronomy would flow from his invention of the first telescope.

A struggle to come in from the cold

John Thornhill receives a warm welcome when he visits an oil town in western Siberia

Five hours flying time east of Moscow lies the isolated town of Kogalym where 60,000 hardy people make a living extracting oil from 8,000 nearby wells. That the town exists at all is remarkable. Only from a helicopter is it possible to appreciate the unremitting bleakness of the landscape.

As far as the eye can see there is little but stunted trees and blotches of marshes on a patchwork of virgin snow. The sun, which in winter only staggers above the horizon, casts a dull glow across the snowdrifts where the temperature can fall to minus 52°F. It is little wonder to learn that in the local dialect Kogalym means the place where men come to die.

Yet it is the unlikely destination for one of the first examples of a Russian corporate press trip. As a market economy develops in Russia, and its cash-hungry companies scour the world for capital, some executives have grasped the value of public relations. So it was that Lukoil, which intends to sell 15 per cent of its equity to foreign investors, invited a group of journalists to its heartlands in the depths of Siberia.

We are lucky - it is only minus 27°F when we arrive and we are soon treated to a warm Siberian welcome. A feast of cold meats and salads has been laid out. The inevitable rounds of vodkas and toasts quickly follow.

Next morning, the company representatives escort us around their town. Kogalym contains many identical 1980s Soviet tower blocks but the oil bosses have built a rare number of amenities too: an extensive sports complex; a music

and arts school; a newly-built hospital; and the delightful "Mowgli" kindergarten.

Anna Chubora, its headmistress, rushes round her domain describing its many features in an excited chatter. A blur of colours, thanks to her peroxide blonde hair and loud blouse, she speeds through the pet room - including ducks, rabbits, tortoises and a polar owl - and on into the swimming pool where a dozen small boys, wearing oversized pink bathing caps, bob up and down in random motion. Their tongues loll

Journalists from the Russian news agencies competed to down vodka

as they try to copy the gymnastic gyrations of their beautiful instructors.

The school contains a computer room, where the tots play games, a speech therapy department, and a medical centre where the children receive solar lamp treatment in the dark winter months to help them grow. "For a small town in Siberia we have a lot of interesting things to see," beams the headmistress.

At the subsequent press conference, at the headquarters of the local Lukoil subsidiary, Kogalymnftgaz, Semyon Vainshok, the company's general director, takes great pride in the town's facilities saying it is important to look after the oilworkers.

But he concedes that Kogalym is far from being a typical

Siberian oil town and says he does not know how long the company can afford to support such social obligations. He stresses how Lukoil is playing by a different set of rules where cash is king and profits the goal of every enterprise.

He talks candidly about the problems facing his industry. Lukoil, which has activities ranging from the well to the pump, has suffered less than most.

Vainshok says the company is still plagued by plummeting production levels because of the country's economic upheaval, the crisis of inter-enterprise debt, the uncertainties of dealing with the government and the idiosyncrasies of the export regime. In spite of it all, he says: "Our people do not live worse than before."

By turns charming and mildly menacing, the mercurial Vainshok clearly commands respect. He says even the cows he owns stand up when he enters the town's covered farm.

His teeth flash gold when he smiles; his eyes flash steel when he glowers. Kogalym is a one-company town and the people are wholly dependent on it. Red Lukoil badges have replaced the Communist Party insignia on the lapels of the overtly ambitious.

That evening we visit one of the town's banyas - a former party hideaway now converted into a bathhouse for guests. A director patiently explains how it is physiologically necessary to drink vodka before the banya - and cognac after. Incredible though it seems, we leap in the outside snow after broiling for half an hour.

The following day we set off for Langeas, another oil town, which is also part of Lukoil's

empire. On the way, the resilient correspondents from the Russian news agencies, Interfax and Itar-Tass, compete to down vodka.

Physically intimate with each other in the manner of Russian men, they then fall asleep resting their heads on each other's shoulders and dribble down their jumpers. The driver forgets to turn on the heater in the truck. Four and a half hours later a dozen blue journalists emerge from the fridge on wheels.

A hastily-convened press conference is arranged where Vladimir Zazinsky, the production-minded chief engineer, is little interested in fancy notions of raising money in foreign markets unless it gives him the cash to develop new wells. Yet Langeas is one of

the few towns in Russia where people unhesitatingly say life is now better than before. The sincerity and the warmth of the welcome almost overwhelms. Another tortured - although warmer - journey back to Kogalym. Another feast... more vodka.

Although the trip provides a fascinating glimpse into the lives of working Russians, it is something of a mystery what message Lukoil is trying to impart. The information that is the meat and drink of financial journalists - and foreign investors - is largely absent.

It is possible to see the social role that Lukoil plays in its communities and its impressive organisational abilities - but impossible to make an assessment of its financial performance.

Just as the company is working out how it must present itself to the world, the media are also groping for meaningful questions to ask.

Russia's leading executives are rapidly changing their priorities and perspectives. From being the mere executives of the central planners' will, they have suddenly been transformed into extraordinarily powerful managers in a free market system.

How such bosses balance their aggressive instincts to make money with their obligations to the thousands of workers they employ will have a big influence on the shape of Russia's economy and the nature of its society.

As these companies raise their sights beyond their

immediate problems, they could emerge as ferocious competitors in the world economy too. On some estimates, four of the world's 10 biggest oil companies are now Russian.

After consolidating five Russian companies, Lukoil, which already produces 15 per cent of Russia's oil, claims it will emerge as the biggest in the world in terms of known reserves - although this depends on the chosen methodology.

But, as one investment analyst noted, Russia's obsession with size has rarely produced results. The world's biggest cannon stands in the Kremlin but it has never fired a shot.

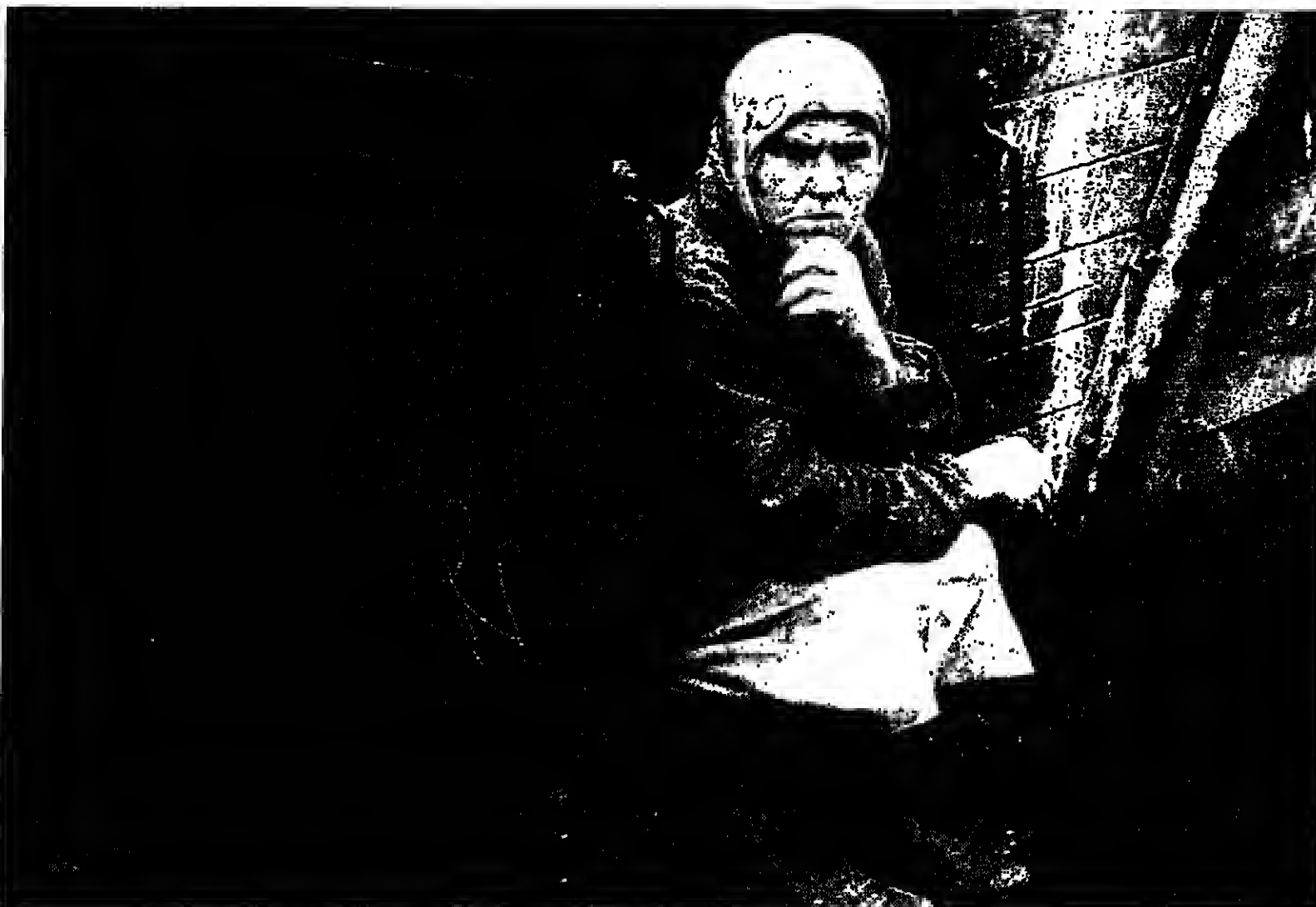
With vast reserves, few limitations from outside shareholders, an unleashed capitalist

dynamic, and a rapidly-developing appreciation of how global companies work, Lukoil's bosses appear to have every intention of making a bang out of the world stage. They are certainly proud, smart and intensely ambitious.

Amid the dramatic headlines of political upheaval in Russia, and war in Chechnya, it is easy to overlook the daily struggles of the ordinary worker and the extraordinary patience of the Russian people.

As we stand on the tarmac at Kogalym's windswept airport waiting to leave, it is hard not to admire the courage of those who consider this place as home.

It is harder still not to hope that whatever fate awaits such Russians it is easier than what has gone before.



Contemplating the future: It is easy to overlook the daily struggles of the ordinary worker and the extraordinary patience of the Russian people

Robert Harding Picture Library

A Falklands' catalogue of errors

Michael Wigan on how human blundering has shaped the windswept islands in the South Atlantic

When a Land-Rover sales team visited the Falkland Islands, the inhabitants just laughed.

"We were doing things in Land-Rovers they had not even dreamed of," said the raggedly-clad driver as we ground up a near-vertical slope.

When a new Land-Rover arrives, Falklanders spend a week making it "fit for use" he told us - they alter the springs, fit tractor tyres, and so on.

Much of the gossip on the Falklands is about getting into and out of awkward spots. At this art, native self-reliance "kelpers" proved themselves considerably better than the British armed forces.

One story concerns a young squaddie going too fast who got stuck; efforts at extraction made it worse; a tracked vehicle sent to rescue him also became submerged. Eventually a Chinook helicopter arrived to suck everyone out of the mire.

The Falklands archipelago is a very large, trackless place. The two main islands, East and West Falkland, span 160 miles and are separated by a narrow sound. They lack many things most people take for granted - other people, tracks, trees, freshwater lakes.

From one side to the other, the Falklands are a windswept plain, and because the mountains are massed together, you can see for miles. Land-Rovers traverse this terrain, slithering and churning, jacked up when stuck to let them go forward.

Before Land-Rovers there were horses - and horses knew the way home. Once a rider caught in a blizzard bumped into a disused telephone pole. He tethered the horse to it, wrapped himself up, and determined to follow the pole-line next day. At daybreak he found himself one pole from home.

For most Falkland farmers, home is an island - a few corrugated buildings that form a shearing-shed, killing-shed, implement shed, drying-shed, and house - set in a sea of grass. Not far away, the ocean crashes on pebble beaches or bird-clad cliffs.

Within a few hours' drive, lurching over the "camp" (Falklandese for plain), will be the landing-strip at which all islanders act as one-man airport authorities. They talk to the wind-sock, and have the fire-engine on standby hitched to the Land-Rover. Runways are mown strips from which geese and sheep have to be cleared before anything can land.

The Falklands farming family will be loosely surrounded by thousands of sheep. The 1980s has been the decade of land subdivision, a recommendation of Lord Shackleton's 1982 report, which attempted to break up the vast estates of the absentee-owners and create



No native animals survive; cattle and goats were killed off. Today, there are thousands of sheep

Falklands Pictures

smaller units run by home-grown Falklanders.

One unsuspected result is that the plains are even emptier. The generously-subsidised owner-occupiers, suddenly finding themselves masters of all they survey, have discovered that employing labour is unprofitable. They work harder, for longer hours, and rural employment has fallen.

Of the Falklands population of 2,000, half live in Stanley. The rest are spread out in isolated pockets, encircled by the sheep, cows, horses, chickens,

sheep-dogs, and the picturesque upland geese, which stand in pairs (one white, the other cinder-red and grey) evenly dotting the landscape, and lending life and colour to the rinsed tones of the plain.

The abundant geese serve another purpose in a protein-swapping chain that, however bizarre, arises from basic supply and demand equations. Figs eat geese. "You slit them up and let the porkers do the rest," as one islander daintily expressed it.

Two farmers we visited were

shooting geese (a recognised pest) so that they could feed them to local raptors (birds of prey) to keep them off their own poultry.

Loading the back of the Land-Rover with penguin eggs is still a seasonal pastime. Easier to appreciate is the Falklands recipe for snipe: put it inside a teal duck; put the duck in a goose; and roast.

The history of ecology in the Falklands is a tale of human blundering. No native animals survive. There was only ever one species, a fox-like dog

called a warrah, which was rendered extinct by people holding meat in one hand and a club in the other.

In the 18th century, the French let cattle loose; these became wild and had to be exterminated. When Darwin landed in 1854, wild cattle were the only island occupants he reported. In the 19th century goats were introduced; they also had to be killed off.

The catalogue of errors was continued with the introduction of pigs, this time with the aim of reducing the colonies of a type of petrel considered injurious to sheep farming. Sheep had put in their appearance in 1862.

Meanwhile rabbits, rats, and feral cats were doing their bit to destroy the native fauna. Direct actions by man included boiling down penguins for oil: several million went this way.

One mystery remains unanswered. The Falklands has no aboriginal people. Why? No trees to make fire, or boats? The prevailing westerly winds from Tierra del Fuego could have sailed settlers in.

The Falklands must be the largest islands in a temperate climate not to have been populated long ago. Unless, of course, a people existed there who used no stone, and left no trace. Peat covers a multitude of events. If so, the road-building that is now just beginning

should uncover something, somewhere.

Or does the tameness of the wildlife prove that there is no fear of humankind in the ancestral memory of the geese, the ducks (flightless steamer ducks paddle inshore to inspect you), the penguins, hawks and songbirds?

The Falklands is the only place where the domesticated stock - the sheep - run helter-skelter at first glimpse of man, while the wildlife closes in for a better look. A Roland's grebe, found only in the Falklands, squinted brightly at me as I stood in the river, then swam under my fishing-line and bobbed up the other side.

Fishing-line? Of the tiny number of non-military visitors to the Falklands every year, most are anglers. For most were anglers.

Poor catches in 1990 and 1991 slowed the trickle. The Falklands at present is almost unfished, except by locals. Which is odd, because it has the potential to be world-class fishery.

Fishing is now a service industry. It is not enough to have great rivers and bountiful fish; they have to be packaged and presented. Care must be taken of the river environment, knowledgeable ghillies provided, and anglers comforts assured. Even on rivers which can make a fisherman

feel he is the first fisher in the world, the niceties are necessary.

The basic credentials of the Falklands are good, however. Sea trout, evolved from introduced brownies which have chosen to migrate to salt water, form shoals in the rivers from January to April.

So impoverished is the insect and crustacean life in the rivers that fish enter to spawn and depart as quickly as possible - so fish are generally fresh. While deciding whether to run upriver they move with the tide, and the Falklands' long, narrow estuaries are superbly fitted to the sort of saltwater sea trout angling which can be had in few places. Locals catch most of their fish this way and the sea trout can top 20lb.

Fishing statistics are poor fare. I offer two to give the flavour.

A fisher on the San Carlos River in six casts caught six fish of around 6lb. I saw 27 sea trout weighing between 11lb and 6lb being caught in two pools over three hours by one mesmerised fly-rodder.

As organisation improves, the Falklands will see once more those disciples of the fishing-rod, stumbling off the 16-hour flight underdressed, chasing the results of one of the few biological initiatives in this remote land, with its slowly-unfolding charm, that has gone right.

Michael Wigan's trip was coordinated through: Go Fishing Canada, Swan Centre, Fishers Lane, London W4 1RX. Tel: 0181-742 3700.

FASHION

A revolutionary in the style hothouse

Alice Rawsthorn visits Miuccia Prada, who turned a sleepy family company into a fashion force



Miuccia Prada

Once, Prada was a cult-name - sought after by fashion aficionados but little known outside this hothouse world. Now, as a Prada shop opens at the end of February in London's Sloane Street, all the signs are that Prada is moving into the fashion big time.

A little boy runs into the room holding a plastic robot in each hand with threads of red licorice entwined in his neck. "Eh, Giulio," clinks his mother fondly. "Just look at him. His elder brother is so serious. He likes educational toys. But this one? All he wants is plastic rubbish."

Miuccia Prada is not the sort of woman one would suspect of having a son with a weakness for sci-fi junk and licorice snakes. She is, after all, the doyenne of Prada, the sleepy family firm that she has turned into one of the most successful forces in fashion: a by-word for modern elegance among the fashionable.

Yet Prada, 46, is not a fashion designer in the conventional sense. She does not see herself as a technical innovator or a style dictator, but as an editor assembling collections of clothes and accessories reflecting her taste for cool, comfortable modernism.

Prada's little black dresses, snappy 1940s suits and cashmere twin sets reflect her own bohemian style, which has as much to do with the Disney videos piled up beside her eau de nil ottoman as the Mario Cavallieri paintings on the walls of her Milan apartment.

Until now, Prada's British fans have had to be content with choosing from limited editions from the collection at London shops such as Joseph or Fellicano. But next week a Prada store opens on Sloane Street, where everything from its cult handbags to a full selection of its women's and men's lines will be on sale.

The Prada story started in 1913 when Mario Prada, Miuccia's grandfather, began a business making bespoke trunks and suitcases for wealthy Italian travellers. Mario was an adherent of "Stile Liberty", the Italian answer to the Arts and Crafts movement.

"He was very eccentric," says Miuccia. "If you look at his work from the 1920s, there are lots of strange images and

details. It was very adventurous for the era."

The business flourished in the 1920s and 1930s, but flourished in the post-war years. It ticked over after Luisa, Miuccia's mother, took control in the 1950s. By the late 1970s, when Luisa decided to retire, Prada was just another remnant of the faded grandeur of pre-war Milan.

Miuccia was then, at 28, an aspiring politician. She had read political science at Milan University, where she fell in with the Eurocommunists. She spent her days at political protests and her nights around Milan with fellow bourgeois rebels. Like most politically-active women of the 1970s, she found it hard to reconcile an interest in style with her passion for politics.

But she fell in with her mother's plans. All that was left of Prada by then was Mario's old shop in Milan's Galleria Vittorio Emanuele. Miuccia had no design training or technical skills, but she did have clear ideas about what she did and did not like.

"I'd always loved fashion. Yves Saint Laurent was my favourite. I wore his things all the time in the 1970s - even to political protests. People looked at me strangely when I handed out pamphlets in my expensive clothes."

Her first addition to the Prada range was a shoulder bag, made from pocono, the industrial nylon used by the Italian army, with a shiny gold chain strap that made it look like a post-modern parody of the classic Chanel bag.

"They weren't successful at first," she recalls. "People didn't understand what we were trying to do."

The bags gradually took off. Miuccia, helped by her husband, Patrizio Bertelli, added shoes, accessories and, finally, clothes to the range. Patrizio took charge of the business and Miuccia concentrated on design. She works like a French *editrice*: envisaging how each piece should look and specifying what she wants to teams of designers and production specialists.

"I've always known what I wanted. It's always been a question of persuading other people to make it for me."

Those first clothing collections consisted of a few classic pieces - cashmere cardigans, plain white shirts and nylon parkas. She then graduated to showing complete ready-to-wear collections alongside the other Milanese designers.

The Prada show is a highlight of the Milan season. Miuccia's simple, uncompromisingly contemporary taste is perfect for the easy, understated dressing of the 1990s. This winter, aided by Calvin Klein, she signalled the death of the short skirt by dropping hemlines to the knee. Her patent leather bags and snappy, military suits were must-have items.

But this spring the Prada



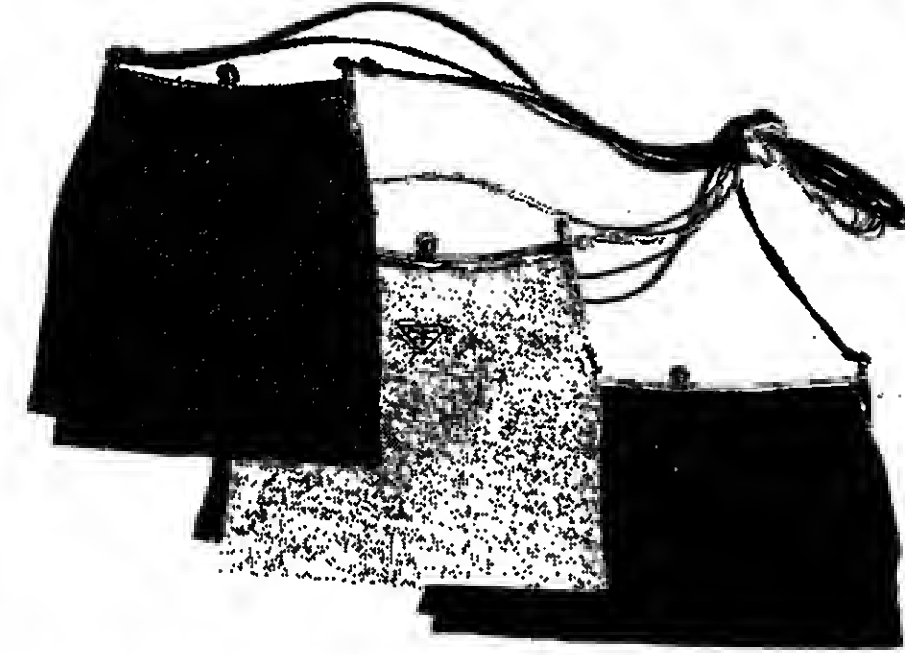
Shiny top and knee-length skirt make up the summer look



The ladylike suit, neatly belted with a skirt showing the new length



Figure-skimming, light and gauzy



For spring and summer Prada has some vital accessories: dusty pink high-wedge strappy shoes, and the handbag shape for summer in pale pastels or black



look is even stronger. Miuccia's strength as a stylist lies in her skill at blending the old with the new: which is perfect for the fusion of futurism and late 1990s glamour which dominates this season's fashions.

The key items from the current collection are likely to be the slinky satin dresses with matching *La Dolce Vita* coats, the swirling skirts and jackets with chunky industrial zips

and Miuccia's "Oooh Miss Moneybags" suits.

The essential accessories are the narrow satin belts, the strappy silhouettes with transparent ankle straps and Prada's little satin purses. These are the trophies that the fashion editors will forage for - or fight over - when they descend on Prada during the Milan fashion collections.

Lisa Armstrong, associate

editor of British Vogue, always makes a bee-line for Prada between the Italian shows.

"I love the Prada look," she says. "It's always classic, but never bland. I've bought some things there, a classic mac and a velvet tunic, that I've worn for years. It's a wonderful blend of the old and the new."

Prada is not the preserve of professional fashion fiends. Deborah Botwood Smith, head

of corporate communications for Visa Europe, shops at Prada. "The clothes are so well made. I spent a few weeks in Lillehammer last year when Visa sponsored the Winter Olympics. It was freezing. I wore my Prada parka every day. It looks good and it's warm, because it's properly lined like an old-fashioned anorak."

Susan Prevezer, a barrister,

buys Prada shoes for court - "always stylish, they never lose their shape" - and dresses pieces for evening.

"The Prada style is simple, but slightly quirky," she says. "It also flatters but in a very subtle way. A Prada dress makes you feel sexy, but never babyish. You feel good because you're wearing it for yourself, not for other people."

Prada is now an interna-

tional business with 47 shops and annual sales of over £200m. Miuccia still scrutinizes each collection but cheerfully admits that she delegates most of the bag and shoe design. "Our designers are so good that they know exactly what to do."

She seems to have settled happily into life as head of the family company. The Pradas still live together in an *hôtel particulier* on the Corso di Porta Romana in Milan.

"My mother is over there," says Miuccia, pointing across the courtyard. "My brother is there and his divorced wife there." She rolls her eyebrows at the windows.

She and Patrizio live under the glazed roof of an open-plan area at the back of the courtyard. "It was a warehouse that my father built when he ran out of money in the 1950s."

Today it is a sumptuous space housing all her treasures: the Cavallieri, her Venetian glass, precious scraps of flea market fabric and bowls of roses. The blue Fiat 500 that she has driven since her early 20s is parked proudly in front.

Then there is Giulio, greedily eyeing his Disney videos. Enter Lorenzo, his elder brother, firing furiously at his mother with a plastic machine gun. This is the "serious" child? The one who likes educational toys?

"Oh no! I did say that didn't I? Ha! Well so he does - just not today!"

What is your notion of the Ideal St Valentine's Day?

A morning when half a dozen cards replace the usual bills on the doormat? An evening in which you can expect to exchange thoughtful surprise gifts with your live-in partner? Or the blessed relief of 24 hours when nobody so much as whispers the word "romantic"?

If you are in the third category, you are not alone: 68 per cent of adults questioned in the week after last year's

Full hearts and full tills

Judith Gubbay explains why shopkeepers love Valentine's day

schmaltzy season claimed they had not marked the occasion in any way. Most of the other 32 per cent had sent or handed over at least one Valentine's card (27 per cent). The second most popular romantic gesture was flowers (6 per cent) chocolates (4 per cent), a meal (2 per cent), cuddly toys (1 per cent).

followed by perfume/after-shave, underwear, and treating them to a holiday or weekend break.

There is, of course, a fourth reaction: from those people whose businesses receive a heartening boost. The Valentine's Day industry is worth an estimated £25m in cards, and a further £22m in flowers and plants. The Post Office estimates it will handle about 10m cards this year, while a BT survey shows that one adult in five is planning to give his or her love a ring (by telephone, that is).

The jewellers are happy too. Brian Wentworth, of Boodle's & Dunthorne, says: "Valentine's day is the most important occasion for selling real jewellery after Christmas and birthdays." He says there is a move away from heart-shaped items towards gold eternity rings and pearl and gold designs.

John Donald, a designer and goldsmith, says: "Romance is still alive in the City. It is mainly men who buy Valentine presents. They may choose from the existing range of jewellery, but often prefer to commission a special item."

Florists - with their seasonal stock-in-trade, the long-stemmed red rose - face the greatest pressure. Seven million red roses are to be sacrificed to the demands of lovers on February 14.

Angela Henderson of Interflora estimates that 90 per cent of the floral gifts sent or given for Valentine's Day will include at least one red rose.

However, "younger people are starting to choose bouquets with lilies or white tulips instead of red roses. They are more fashionable, and tulips do mean red-hot passion in the language of flowers, after all."

Interflora has a hand in more than 500,000 Valentine's day orders - and that excludes all the locally ordered flowers through Interflora member florists, not to mention the

flowers-direct postal delivery services. Each year more women send flowers to men than ever, but they still add up to just 10 per cent of senders. Some 60 to 65 per cent of Valentine's day cards bought are in the "I love you, and therefore I am sending you a card," category says Ray Cousins of the Greetings Card Association. In other words: "You know it's from me, even if it isn't signed." Mostly they are from wives to husbands and vice versa, and they are likely to be in the higher (£1.25-plus) price range.

The rest of the market is split between people who are not in a relationship, but are sending a genuinely anony-

mous card in an attempt to start one, and those who buy six to eight low-price cards and scatter them around to irritate and embarrass. One in 10 in the survey claimed they had sent two, three or even four cards: multiple card sending was particularly popular with 16-to-24-year-olds and unmarried people, but it was the no-longer-married who were most likely to gladden the greetings card industry's heart: 23 per cent of widowed, divorced and separated people said they had sent two or more.

It is possible, however, that not all the cards are declarations of romance: Clintons cardshops already stock "Valentine's Day Greetings to my Daughter" while a 1995 newcomer is a "Happy Valentine's Day from your cat".

Chocolates are a Valentine's day speciality. Thorntons, which has 500 chocolate shops, expects sales to triple compared with the average week. For Thorntons, Valentine's day is the third biggest season, after Christmas and Easter. The company expects to sell 75,000 of its £2.99 milk chocolate heart-shaped plaques.

For the doyenne of lush lingerie, Janet Reger, Valentine's day is also a big day. Takings are three times more than in a normal week. "A man may buy a £20 G-string or spend thousands of pounds," says director Aliza Reger. "You have to remember that they will often be buying just one item from us, but then there are the flowers, and the special dinner, and



"When you have received a letter you first of all sit down, cutting open the envelope is done slowly and resolutely, as though diffidently raising the lid of an enchanted chest," wrote Karel Capek quoted in *Love Letters, An Anthology of Passion*, £14.99, Weidenfeld & Nicolson. The painting is by Albert Watson

all the other treats."

John H, a retired company director, agrees. He believes in making the romantic most of the occasion: "You start with the flowers, and the really special way of putting your message across - like an antique Valentine card - and you finish with the champagne in bed."

You'll enjoy doing all the preparation, and then you can both enjoy the results together."

It's fun to be on the receiving end of a wittily-executed Valentine gesture, as successful thirtysomething journalist David D agrees: "Deborah made me a whole pink dinner one year. There were king

prawns and salmon, followed by a heart-shaped fruit mousse, served on a pink tablecloth with pink candles. By a happy coincidence, I had brought her a bottle of pink champagne (as well as a bunch of red roses). She'll have to wait and see what I'm going to do for her this year!"

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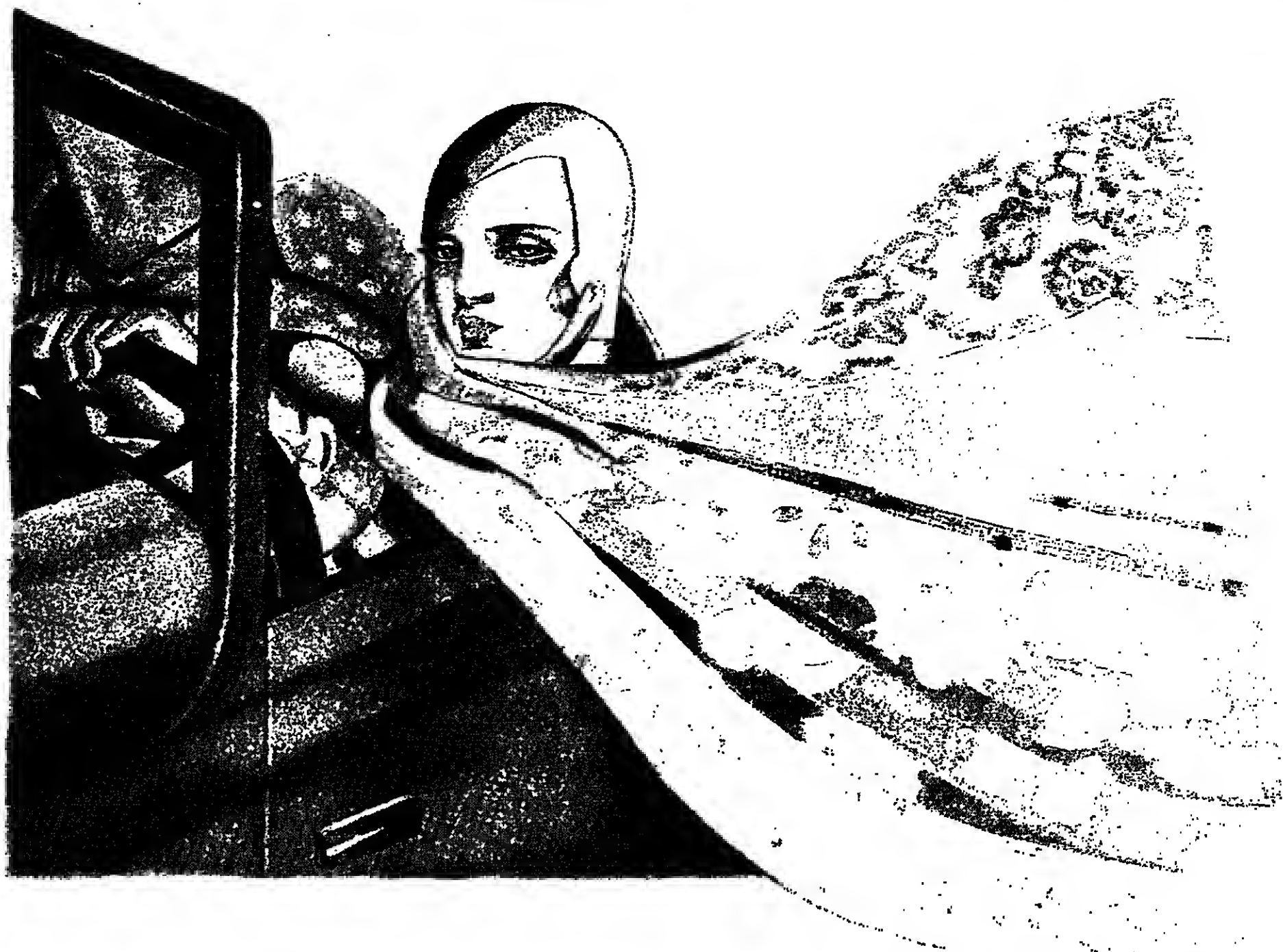
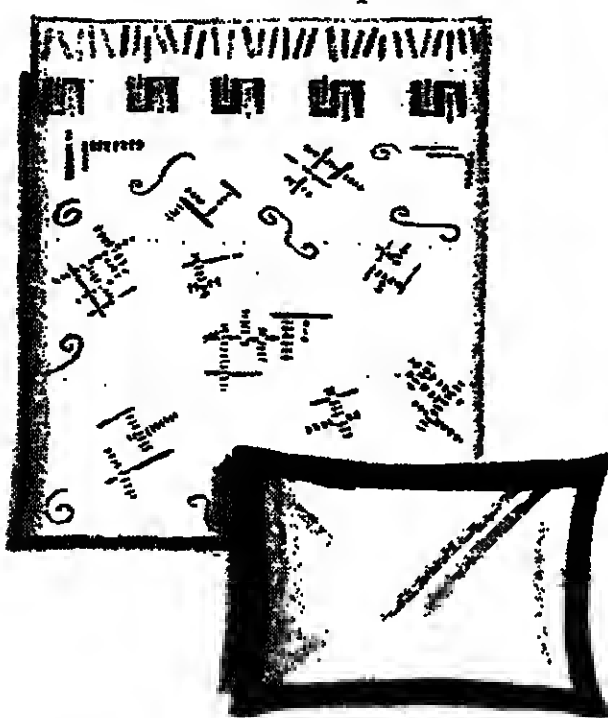
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HOW TO SPEND IT

Liberty gives its divisions freedom and love

Lucia van der Post on exciting days at one of Britain's quirkiest stores



For some time the delicate antennae of London's most fervent shoppers have detected that something interesting is underway in the retailing world. Until recently, if asked to name their favourite department store they would have plumped for Harvey Nichols but in recent months there has been a growing sense that Liberty is where the excitement is.

Liberty has always had a quirky personality born of its complicated roots in the British arts and crafts movement and hockeeneering trade with the east. This is why down in the basement there are oriental carpets and exotic eastern treasures brought back from epic journeys, while up on the fashion floors sit incongruously ladylike blouses in Tana lawn and shawls in old-fashioned Liberty prints. In the furnishing fabric department there are pretty rose-covered chintzes sitting beside Indian crewel-work.

As a certain eccentricity, or element of surprise, seems to be essential for successful retailing, Liberty has always held a special place in the hearts of the British. Nevertheless it is no secret that its financial performance over the last three or four years has been what Richard Stewart-Liberty, one of two members of the founding family on the board, describes as "flat".

The mix had remained too static, the quirkiness out of tune with the times, almost perverse. The woman who bought an Issey Miyake dress on the rejuvenated fashion floors was unlikely to be interested in the Liberty scarf on the ground floor. The man who came to Liberty for his relaxed designer wear wanted something more contemporary in his home than eastern artefacts or British arts and crafts.

Something had to be done. The strategy adopted is fascinating because it is in complete contrast to the usual strategies adopted by retailers in distress - instead of ration-

alising and centralising and cost-cutting, the board decided to go in for derationalising.

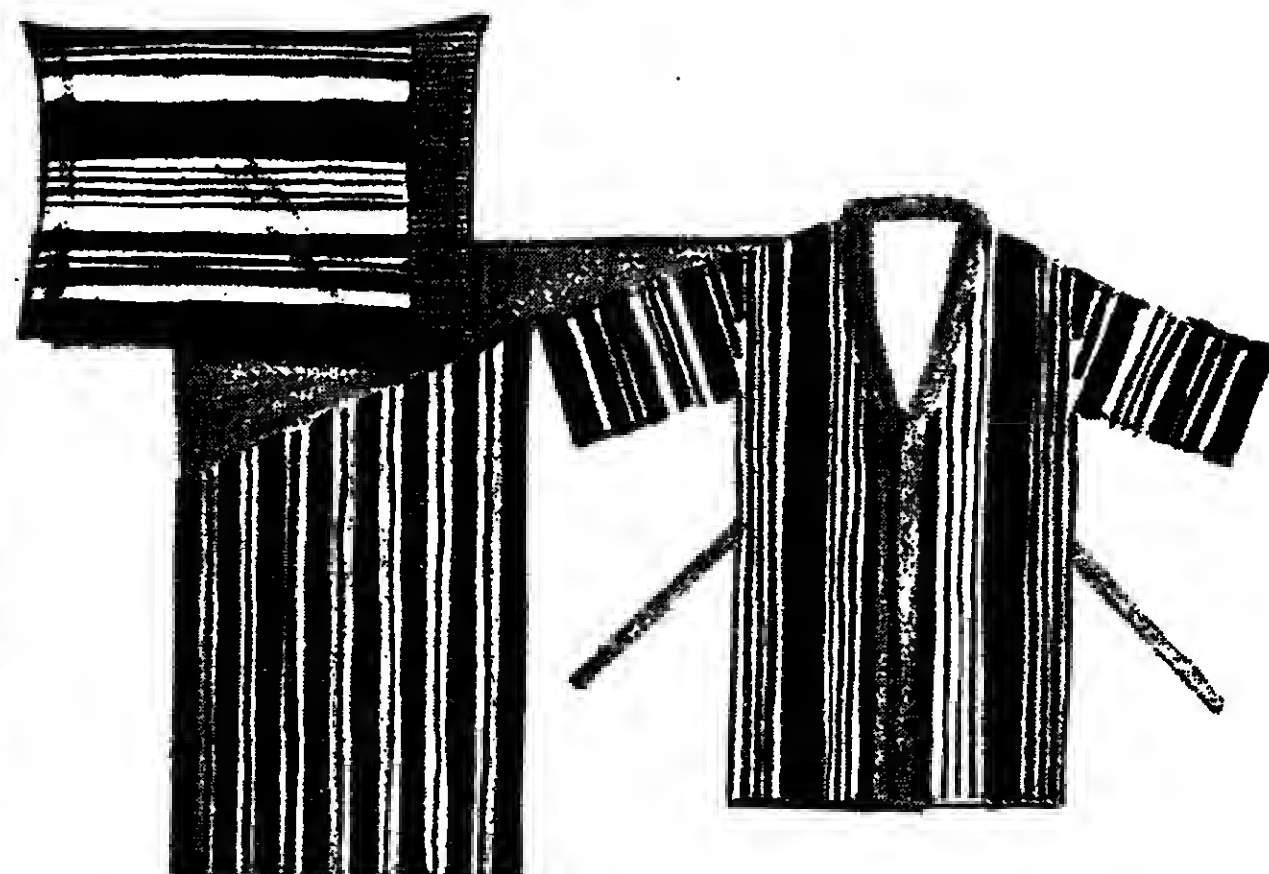
It felt that certain precious bits of its business, which had always been crucial to its success, had not been given the love and care they deserved. These would be split into little groups and given their own teams who would cherish them and nurture them in the way that no large, overall central body ever could.

Stewart-Liberty was put in charge of one of the most important of the new ventures - the development of Liberty's own brand products which could be wholesaled all over the world. The aim is to build the Liberty name into an international luxury brand. At the moment it is the smallest and youngest of the company's divisions, providing a mere 5 per cent of its turnover, but it should double in size this year. Patrick Austen, the chief executive, hopes it will eventually deliver a significant proportion of the group's profits.

Liberty wants all its own brand products to be inspiring ("unless we can define a point of difference with what is already on the market we will not have the ability to build on that brand," says Austen). British, eclectic, inventive and able to be sold internationally at the highest level.

For, as Stewart-Liberty puts it, "Liberty is the bones of a worldwide business which as yet does not have enough flesh. We aim to see the bones very well-covered. After all it is a name that almost everywhere in the world stands for something."

Scarves, a quintessential Liberty product, were the first to receive care and would seem to meet the brief triumphantly. Quincy Leon, the designer in charge, has produced a ravishing collection of scarves. When Liberty took the collection to Prêt-à-Porter in Paris the stand was besieged by luminaries from the fashion world (Paloma Picasso, Kenzo, Rive Gauche, Lalique) asking either to buy in the scarves or for the



designer to create a special range for them to sell under their own labels.

Quincy's aim was to produce "scarves to kill for" - scarves with a feeling of craft about them. "After all, much of our history lies in cloth and textiles." These scarves are not cheap - they are made in finest gauzes, in silk matelasse

(gauzy silk with fine patterns cut into it), in georgettes with subtle jacquard patterns. For next winter there is wool gauze backed with chiffon, velvet devoré, or velvet in rich Byzantine colours with generous pompons at the corners. They retain the air of handmade, hand-crafted items which represent a lot of what

Liberty stands for. Liberty learns from its own fashion department. There, Tom Morgan has doubled his business in the last 2½ years. He discovered that his customers looked for the unique and the different.

Now, the customer who comes to buy from the adventurous and directional collections by designers such as Issey Miyake, Callaghan, Martin Margiela, Jean Muir or Vivienne Westwood will find that there are scarves that

First off the Liberty Brand Products' drawing-board is a collection of ravishing desirable scarves (above) which go on sale on February 16.

Illustrated above from top to bottom are: Odile, chiffon-bordered matelasse silk, in seven colours £135; Claire, silk georgette jacquard, long scarf in seven dusky pastels, £125; Marguerite, silk gauze in four colours, £115; Gilda, silk gauze with floral pattern, in four colours, £115; Seagren, silk georgette jacquard in four colours, £125. The bedlinen collection will not be on sale until mid-July.

Left: 100 per cent yarn-dyed shirting is used for a kimono (£35), duvet (£32 for a single, £42 for a double and £53 for a king size). Pillow cases, £11.50.

Above left: The blue and white collection comes in many weights and variations. Illustrated here is a fine organdie embroidered and appliqued bedspread (£70 for a single, £80 double and £85 king size). The blue-edged pillow case is £45.

match their high aesthetic standards. Liberty will discover just how successful the range will be when it goes on sale on February 16 in Liberty and at specialist fashion boutiques and good department stores across Britain.

Lots of other ventures are already under way. The gifts division also comes under

Stewart-Liberty's Liberty Brand Products umbrella and so does a home division where Nicky Lesborel has made an adventurous start by developing a bedlinen collection which goes by the name of Zizz. The finished products will not be on sale in the store until mid-July. It looks exciting.

"Because Liberty is traditionally a cloth company," she said, "I have paid a lot of attention to the feel of the linen. I've started by developing a small collection of basics into which we can build more fashion-conscious designer elements later on."

"I wanted to create the feel of a collection of bedlinen that people might have collected through the years. There are very few colour groups - mainly blue and white, grey and white and a warm, terracotta - but within each colour group there is a great deal of variety and choice which should allow people to play with the individual elements and create schemes of their own."

Liberty Brand Products office is buzzing - Richard Woolf is doing beds to set off the bedlinen collection, a casting of Michelangelo's statue of David is being chopped up to make vases or containers under the direction of Nigel Coates, metalwork from India is coming in, demountable upholstery is being experimented with, pieces of fabric and samples are everywhere. But if it were you, I would hurry for the scarves.

ChesterBarrie
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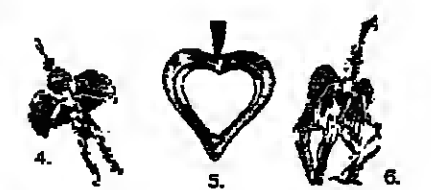
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FOOD AND DRINK

To decant or not to decant fine wines

Edmund Penning-Rowsell considers the controversial question of how to serve your burgundy or claret

I do not recollect, when in Italy, ever being served fine old wine in a decanter. But in Bordeaux, with its British and Irish associations, one of the wines that I count among the finest clarets I have ever drunk - Lafite 1875 - was served from an English claret jug.

Elsewhere in France, including Burgundy and the Rhône, it is very rare. A leading Beaune merchant once told me: "My grandfather would have beaten me if I had decanted one."

Red Burgundy has less tannin and sediment than red Bordeaux and, on one or two occasions in London when I drank a decanted bottle and a non-decanted one, the latter had a little more nose and freshness. But then in Burgundy they

tend to have large, often oversized glasses that "air" the wines.

The proclaimed reason for decanting is to remove the sediment. The amount varies considerably - a young claret may have as much or even more than an old one. I am inclined to believe that a basic Cabernet-Sauvignon wine (in the Médoc and Graves) may have more than the Merlots of St Emilion and Pomerol.

The other purpose for decanting is to give the wine light oxidation by which the bouquet and the flavour can fill out. But how long does this mean before the wine is served?

Last year, the 11 premiers grands crus de St Emilion held a dinner in London at which their excellent 1982s were served. I asked M. Valette at

my table how long beforehand did he decant his Favis at home. Two hours, he replied firmly.

More recently, when visiting several Bordeaux châteaux, I asked the same question and the answer was generally "1½ to two hours". But one respected proprietor said "up to 12 hours".

In Baron Philippe's days at Mouton-Rothschild, the clarets for dinner were stood up in the morning. They were decanted, including very old wines, by Raoul Blondin, the maître-de-chai, before he finished work for the day at 6pm to 6pm for a dinner that never started before 9pm.

The decanters, closed with straw stoppers, had very long necks for ease of pouring between those seated at the dinner table and were designed by Baron Philippe.

Personally, I would be a little scared to decant even fairly old clarets - say 1961s - as long beforehand as that, and with substantially older bottles I would be inclined to decant just before serving, and to follow younger wines. Otherwise, because of other preparations, I must admit to decant often not much above half an hour before a meal.

It is uncommon to decant white wines, and German wines never, for if a dry white is circulated in a decanter for a second time around the table it is likely to become too warm. However, there is a good case for decanting a Sauternes or other sweet wine, as this enables it to develop the bouquet and luscious flavour.

Vintage port should always be decanted because of the heavy sediment, but the decanter of sherry on the sideboard for drop-inners has vanished for sherry suffers from too-long exposure to the air.

HOW TO DECANT: The traditional way is over a lighted candle, but if the bottle is dark, it is necessary to put it so near the flame that the wine may be over-warmed or the bottle might crack. If no electric light is available, a vertically-placed torch will do... just as well.

Red wines look best against a white cloth - not so common these days - and the bottle



Decanting a bottle of Bordeaux in the traditional manner, at the Boot and Flogger wine bar in Red Cross Way, Southwark, London. Tracey Humphries

should also be on the table to inform visitors of the name.

If two or more wines are to be served from similar decanters, these should be marked, otherwise it is all too easy to confuse them.

A decanter on the table adds something to its decoration and sense of occasion. I am inclined more than once to decant all fine red older wines

(except Italian for no definable reason) of more than a dozen or so years in age.

Old decanters are often less expensive than expected, and the plain, three-ringed neck "Classics", dating from 1810 to 1830 or so, are admirable, but cut-class should be avoided, as the colour of the wine is refracted. An old decanter also adds to the occasion.

Most of the wine merchants who specialise in vintage wines list decanters. These include: Adnams, of Southwold, Suffolk (bottle-size £25.70 - magnums £41); Berry Bros and Rudd, London SW1 (bottle-size £23.35 - magnums £28); claret jugs £31 and £38) Corney & Barrow of London EC1 (£43.65 for claret jugs bottle-size £26 - magnums £27).

Lunch for a Fiver

Can 200,000 FT lunchers be wrong? That is the number who have enjoyed the 1995 Financial Times lunch promotion over the past two weeks and their obvious enjoyment has not been lost on the 305 restaurateurs who have taken part.

Throughout the past fortnight, the FT's telephone chasers have been calling restaurants early every morning (before the reservation lines get busy) to check availability of tables for the following day and to find out whether restaurateurs are keen to continue the FT menu at their chosen price level.

The good news is that many are planning to do so and any reader keen to repeat an enjoyable FT lunch during the rest of this month should keep a copy of the complete restaurant listing and call the restaurants directly.

A comprehensive round-up of all that this fortnight has produced in terms of fun, sales, anecdotes and lessons for the restaurateur will appear in the Weekend FT on Saturday March 4 with the names of our competition winners.

However, even at this stage, it is possible to see a difference between the original 1993



Lunch for a Fiver promotion and its 1995 successor.

Two years ago, Lunch for a Fiver was a ray of sunshine in the middle of the recession, an excuse to lunch in spite of the economic gloom.

For restaurateurs it was a sharp reminder that their pricing structure, which had surged ever upwards during the 1980s, had lost touch with their customers' wallets. In the 1990s the emphasis has to be on value.

Many restaurateurs have followed these lessons diligently. But the impact of the 1995 promotion has shown how sensitive many restaurants' lunch trade is to marginal pricing, particularly during the quiet February period.

By expanding the lunch, from £5 to £7.50 and £10, the FT has allowed many restaurateurs to reach a market they never thought was there.

The Hole in the Wall, Bath, instead of serving a £12.95 business lunch menu to 12-15 people has been serving a £5 menu to 40-50. In west London, Rose Gray, chef/proprietor at the River Cafe, was still in her kitchen last Friday at 5.30pm, saying that she had cooked 120 lunches that day instead of the usual 40.

The pattern has been repeated throughout the country. Annie and Germain Schwab, who run the Michelin-starred Winteringham Fields, Humberstone, summed it up for many: "This promotion has been a great learning experience for us. In the past we have always steered clear of anything that smacked of 'we're having a hard time' and are desperate for anything that comes our way. But this fortnight has brought us the business customer who thought we must be horrendously expensive and they have all been pleasantly surprised to learn that our normal two-course lunch menu is only £12.50. We feel sure that as a result of this FT promotion, our lunchtime business will be hotting up."

Nicholas Lander

LAMELOISE AT THE SAVOY

London's diners will have the opportunity to sample the food of celebrated French chef Jacques Lameloise this month when he cooks at the Savoy Hotel.

It is the first time that the Savoy has invited a guest chef and Lameloise has been lured from his three Michelin-starred restaurant in Chagny, Burgundy, from Monday February 20 to Thursday February 24.

As a special offer to Weekend FT readers, the first 20 who book the Lameloise menu for lunch or dinner at the Fiver Restaurant will be offered a complimentary bottle of Joseph Dubouche white or red wine. (Only one bottle per reservation regardless of size of party.)

Lamelose will be offering a £37.50 set four-course luncheon, a £45 dinner menu and an eight-course menu degustation for £85. Dishes on the £37.50 menu include: ravioli of Burgundy snails in a garlic bouillon, fillets of lamb with fresh herbs enrobés in rice, and chocolate terrine with an orange marmalade.

A selection of cheeses will be served from maître fromager Claude Anthès. Take the opportunity to sample the L'Épousses de Bourgogne, an AOC cheese which is sensational. Coffee and petits fours are included.

The offer applies only to the Lameloise menus - not the regular Fiver Restaurant menus offered by chef Anton Edelmann - and readers must quote the FT offer when making a reservation.

■ The Savoy Hotel, 1 Savoy Hill, London WC2. Tel: 071-836 4343.

Jancis Robinson, the Weekend FT's wine writer, won the André Simon Memorial book fund award this week for *The Oxford Companion to Wine* (OUP, £30, 1,088 pages).

Already regarded as a standard reference work, the book is in its third printing and won Jancis the £2,000 top prize.

In a successful evening for the Weekend FT's food and drink team at the awards ceremony in New Zealand House, Haymarket, London SW1, Edmund Penning-Rowsell was short-listed for his history of *Château La Tour* (Seagrave Faulkes, £150, 572 pages).

Winner of the food book award went to chefs Simon Hopkinson and Lindsay Barrham for *Roast Chicken and Other Stories* (Ebury Press, £18.99, 230 pages). Jill James

Waitrose has just taken delivery of what would make an excellent house white, for the next few months at least while it is still in the vine. Le Puyet 1994, a Vin de Pays du Gers at £2.99, shows that Gascony is fighting back at the tidal wave of inexpensive Colombar now being shipped in from South Africa.

Jancis Robinson

■ Talking of which, Thelema continues to produce some of the best value fine wine from the Cape. According to John Platter's newly-published *South African Wine Guide 1995* (Mitchell Beazley, £8.99, a symbolic and detailed addition to its pocket wine guide range), Thelema's Giles Webb was asked the price of three of his bottles by a rather grand French visitor, Aubert de Villaine, of Burgundy's fabulous Domaine de la Romanée-Conti.

"No charge. I'll swap them for three of yours," ventured Webb. Even Khrushchev, the former Soviet leader, failed to wrinkle a free bottle out of Romanée-Conti, it is said, so it is hardly surprising that this gifted but relatively debutante South African wine producer failed too.

Thelema's first vintage was 1987, but the wines on sale at Oddbins Fine Wine Shops in



Contestants in the coffee competition

Tony Andrews

Appetisers

Prizes for FT duo

London, Edinburgh and Glasgow are well worth the £7 to £8 being asked. These wines would make an excellent introduction to the South African wine industry's exciting new era.

■ So you like architecture and cakes? Then pop along to the Royal Institute of British Architects' centre, in Portland Place London, W1, where the Patisserie Valerie has opened a café on the floor of the grade II listed building.

Breakfast, light lunch and tea will be served and, if it ever stops raining, seating will be available outdoors this summer to the sculpture court.

All architecture centre exhibitions are open to the public - and free. For inquiries ring 0171-584 5533.

■ A practical accompaniment to last week's review of the latest New York restaurants is Eric Asmus's *Guide to the Best Inexpensive Restaurants in New York* (HarperCollins, £7.50/£10, 224 pages).

Two sections which might prove the most useful to any traveller are entitled "Eating in Museums" (although it omits the new and fascinating T - the tea salon/restaurant under the Guggenheim Museum, SoHo) and "Eating Cheaply in Fancy Restaurants" which shows how with New York gall, you can share a dessert in an expensive restaurant to keep the bill down.

NZ

■ How do you serve, politely, hot espressos and cappuccinos to 3,000 concert goers during an interval of no more than 20 minutes?

That is the challenge facing the Aroma company which, this month, won one of the new catering contracts at London's South Bank Centre.

To find the company's fastest cappuccino makers, the management held London's first Coffee Olympics at its HQ in Camden Town, north London. Initially, 10 teams of two had to handle orders involving serving 18 different coffees to a queue of 20 customers. The teams had to greet, explain and thank all customers, serve the drinks and take their money. The winning team, Raika Cook and Jeanelle Bull, took 4 minutes 30 seconds to do this.

In the individual event the winner was Tino Voultaine who, in 3 minutes, made 12

cappuccinos, took the cash, gave change and served five other coffees from the jug.

Aroma's presence is part of a reorganisation of the South Bank's food and wine - I must declare an interest since I am the South Bank's consultant - which has for the first time introduced internal competition to the site. Sutcliffe Catering manages the bars, the Festival Buffet and Riverside Café. A new restaurant, The People's Palace, will open on March 16 to be managed by Joe Levin of The Capital Hotel, London SW3 with television chef Gary Rhodes.

Nicholas Lander

■ Next month Paul Merry leads more baking courses for groups of five or six in his house, the former Black Bull pub, in Kirkcaldy, near Perth.

Learn bread-making principles, how to bake with leavens and sourdoughs, aspects of fermentation and hone your practical skills in moulding, shaping and proving.

Weekend courses, including tuition, materials, Saturday night accommodation and meals, including dinner, costs £199. One-day courses cost £95, both include VAT.

For details, contact The Village Bakery, Melmerby, Penrith, Cumbria. Tel: 01768-881515 or fax 01768-881848.

Cookery/Philippa Davenport

Pick the cream of the crop

It may be the Irish blood in me but I have a hearty appetite for the potato. Not for old potatoes, mind you. And certainly not for a solitary diet of The Lumpers, the only kind of potato, indeed the sole food so it is said, on which many of the Irish poor subsisted before the blight and famine of 1845.

The pleasure for me lies in the right potato for the right dish: super-sweet, fine, firm, smooth, floury or deeply mealy. Many of my favourites are old ones - La Ratte, Kerr's Pink, Dunbar Standard, Pink Fir Apple, Catriona, Belle de Fontenay, Scottish or Irish grown Golden Wonder, Jersey Royal and Record.

Nostalgia may play some part to my choice but these are potatoes of character, not bland; and I favour a fair number, rather than just one or two, to avoid monotony and for fear of putting all my hopes in one basket.

The women of ancient Peru had the right idea. They gave prized potatoes as bridal dowries, handing them down from mother to daughter; and they sometimes planted as many as 50 different sorts in a single field, for the sake of varied eating and to guard against devastation by pest, disease or adverse weather conditions.

How very different from the Irish situation of 150 years ago. How different too from the current British situation. You would have thought we would have learnt by now that diversity is vital in combatting disease, and that monoculture is an invitation to epidemics. Yet something like two-thirds of the earlies and half of the main crop potatoes grown commercially in Britain are accounted for by just three varieties each.

Loyal troops are, however, fighting the good fight for the spud. Spearheading the campaign are Alan and Jackie Gear who run the Henry Doubleday Research Association. Their right-hand man is Dr Jeremy Charles, head of genetic resources.

He is aided by scientists at Coventry University. Together the team is building up (by means of micropropagation) a potato library of more than 200 varieties, a fair number of which will be available to the research association's heritage seed programme.

Thus a wide ranging bank of potato genes will be kept alive for future research and devel-

Potato Day and the Henry Doubleday association will be open to the public that day from 10am until 4pm. There will be talks, tastings and discussions with plant breeders, gardeners and other experts. Scores of potato varieties will be on display, including some very rare ones. There will be a potato lunch. And the opportunity to buy seed potatoes to grow at home - 60 different kinds.



LATKES

This recipe comes from Lindsey Barrham's splendid compendium *In Praise of the Potato*. Delicious with a crisp green salad for Sunday supper, or, as she suggests, with cold meats, soured cream or a tart apple sauce.

1 lb potatoes; 1 small onion (optional); 2 tablespoons matzah meal or self-raising flour; 2 eggs; oil for frying.

If using an onion, grate it. Then grate the potatoes. Rhize the potatoes, drain and dry them. Mix the potatoes, onion, flour and beaten eggs to a batter, seasoning with salt and pepper.

Heat ¼ in of oil in a frying pan. Drop about 1 tablespoon of the mixture per latke into the pan. Spread the mixture quickly into thin rounds with the back of the spoon and cook for a few minutes on each side until crisp. Drain and serve piping hot.

■ The Henry Doubleday Research Association is at Ryton Organic Gardens, Ryton-on-Dunsmore, Coventry CV8 3LG. Telephone: 01203-308517. Fax: 01203-639223.

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TRAVEL

Luxury and safety taken on board

Charles Batchelor looks at the \$7.5bn flotilla of new liners which is under construction at shipyards around the world

Three swimming pools, one of which is the largest ever installed in a cruise liner; menus created by Anton Mossman; and an art collection which will include seven specially commissioned sculptures. P&O Cruises' *Oriana* will represent the latest in cruise liner luxury when it comes into service in April.

But the *Oriana*, designed to provide round-the-world cruises, will not be ahead of the game for long. The growing popularity of cruises has meant that a flotilla of new liners - 30 in all, with a combined value of \$7.5bn - is currently under construction, or on order, at shipyards around the world.

At just under 70,000 tons and with room for just under 2,000 passengers, *Oriana* is the largest vessel in the P&O fleet but she will soon be overtaken by two 77,000 ton liners the *Dawn Princess* and the *Sun Princess*, due to come into service in late 1995 and 1997 respectively.

An even larger vessel, the 100,000 ton *Grand Princess*, designed to carry up to 2,600 passengers is also for delivery in 1997.

The cruise companies are responding to rapidly growing demand which saw nearly 300,000 passengers from the UK in 1994, an increase of 15 per cent on the year before. This figure is expected to rise to 700,000 passengers by 2000 while the dominant US cruise market is expected to show similar rates of growth to 8m passengers by the turn of the century.

Passengers who sign up for a cruise aboard the *Oriana* will no doubt be drawn by the glossy brochures illustrating the luxury of its 900 cabins, the 110 state rooms, the six lounges and its dance floor. They will pay less attention to the efforts which have gone into making the vessel a safe, as well as a relaxing, ship.

These include a computer-controlled safety management system which can reconfigure the ship's complex ventilation system to contain the smoke and heat from a fire, still one of the greatest threats to a vessel at sea.

An on-screen display allows the captain and the ship's safety officer to monitor the development of a fire and alert other crew members.

"We have anticipated a lot of the regulations which are due to come into effect later in the decade," said Richard Vie, P&O Cruises' technical services manager. Low level lighting, similar to that now required on aircraft, has been installed directing passengers and crew to safety exits, should smoke obscure the normal lighting.

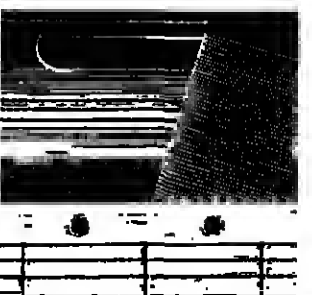
A cruise should provide the ultimate form of holiday relaxation. But two recent incidents involving cruise liners have

raised concerns about the safety of passengers.

The fire which destroyed the *Achille Lauro* in the Indian Ocean last December highlighted the vulnerability of cruise vessels, in spite of all the efforts which have been made to improve fire control measures.

The temporary detention of the newly refurbished *Queen Elizabeth II* in New York harbour by the US Coast Guard because it failed to meet US fire rules emphasised the sensitivity of the safety issue.

The safety record of the cruise industry is good, but many of the vessels are extremely elderly. The International Maritime Organisation, the UN agency charged with regulating ship safety, is engaged in a long-term programme to tighten up the rules.



CRUISING
Safety

At the same time, the related issue of the security of passengers and their protection against a possible terrorist threat, has become a significant concern of the US authorities.

This was triggered by the hijacking of the *Achille Lauro* and the death of a passenger in 1985 and acquired renewed topicality last year in the wake of other more recent terrorist incidents.

The rescue of nearly 1,000 passengers aboard the *Achille Lauro* with the loss of just two lives can be seen as a success for the life-saving procedures aboard the Italian-owned vessel.

But the incident did highlight the vulnerability of older vessels to fire and the risks of transporting large numbers of people, many of them elderly, across distant oceans. In spite of the efforts of the crew, the fire continued to blaze on the abandoned vessel and it sank while under tow to Kenya.

The loss of the *Achille Lauro* is still being investigated by the Italian authorities. Their inquiry will look closely at the effectiveness of the fire precautions on the ship, which was built in 1947 and refurbished in 1985.

The standards of fire safety aboard passenger ships, which include ferries as well as cruise liners, are currently being upgraded following a fire

aboard the *Scandinavian Star* in April 1990 which cost 158 lives. The vessel, a ferry, was en route from Norway to Denmark when the blaze occurred.

This programme requires a progressive implementation of tighter rules agreed within the International Maritime Organisation. It started in October 1994 and will run through to 2010.

The IMO has been criticised for the time taken to upgrade ship safety but it points to the need to obtain the agreement of its members to amendments to the rules and the time which is then required for national governments to implement the changes.

"Work is going on all the time but it is unfair to expect shipowners to change every few years," said Roger Kohn, IMO spokesman. "Many cruise ships are very old and it was felt we could not have gaps between the standards applied to new vessels and the older ones."

Walter Welch, director of marine services at the UK Chamber of Shipping, said: "There will be a significant improvement in fire protection when the new regulations are applied retrospectively to existing cruise ships."

The IMO regulations are aimed primarily at bringing older ships up to the standard of the most modern vessels but even the newer ships are not without their problems. A popular design feature of modern cruise liners are large, open public areas. These require special protection by elaborate fire detection and sprinkler systems.

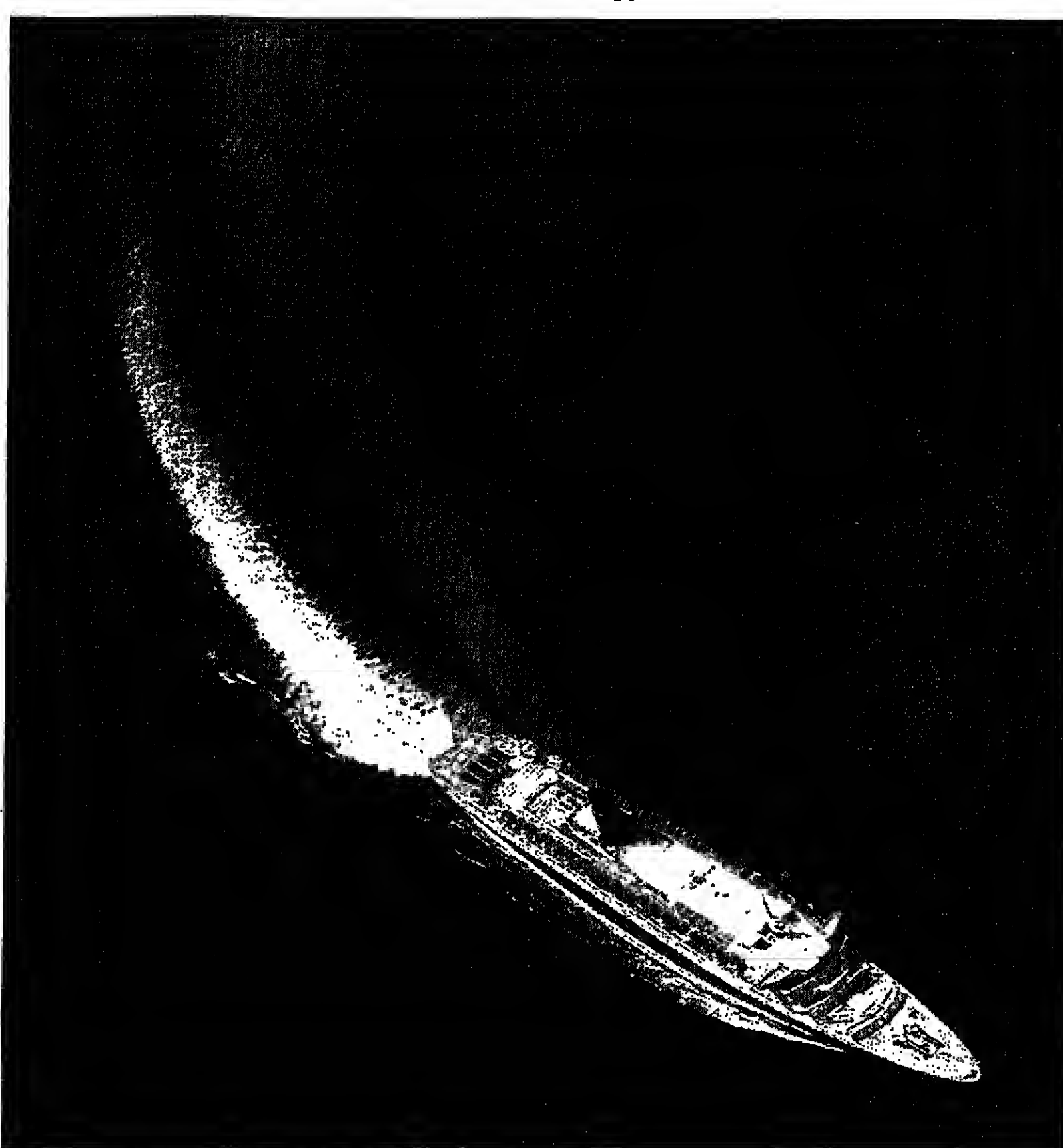
The problems encountered by the *Q22*, fresh from an extensive refit at a German yard, were unusual but with potentially serious consequences. The *Q22* sailed from Southampton with a large complement of building workers still attempting to complete refurbishment work.

The liner left with the blessing of the UK Marine Safety Agency but was detained in New York by the US Coastguard, which was unhappy with the building materials which were blocking passageways and impeding a rapid evacuation.

Cunard, the vessel's owner, denied that safety had been jeopardised but the Coastguard would not let the vessel sail until the work was completed.

With a significant part of the world cruise industry dependent on vessels based at US ports, the US Coastguard plays a significant role in the regulation of safety standards in the industry. It is the Coastguard which is currently seeking to implement tougher security standards to reduce the threat of a terrorist attack.

The International Council of Cruise Lines, which represents 24 companies accounting for 90 per cent of world cruise capacity, believes that the measures



The *Q22* will soon be facing stiff competition as cruise companies respond to rapidly growing demand

proposed last year by the Coastguard are too rigid.

The council, which has its headquarters in Washington DC, wants a more flexible arrangement with procedures designed to respond to the perceived level of the threats.

"The present proposals require 100 per cent security at all times," said John Estes, president of the council. "We

are convinced that that would not be effective. You have to alert people for specific reasons and then phase down. You cannot have people on alert all the time."

The council proposes a three-tier system of responses. The first level would exclude unauthorized visitors and require passengers to use their tickets or boarding cards as identity

cards.

Passengers would be screened by metal detectors and ships would be required to appoint a security officer.

Level two would apply when there was a medium risk of attack. This would require passengers to have photographic identification and involve searches of at least half the passengers coming on board

and their baggage. Level three, in response to a high risk of attack, would require checks on all embarking passengers.

Other commentators are also sceptical of the need for such far-reaching measures. "These proposals would slow boarding," said Alec Binley, of the London-based International Chamber of Shipping. "There may be up to 2,000 people com-

ing on board a cruise ship compared with 300-500 on a jumbo jet."

The cruise lines, whose vessels serve ports around the world, are also keen that regulations should not be introduced on a country or regional basis. "It is important that security measures are co-ordinated internationally," said Estes.

Music makes a happy sailor

Claire Frankel finds caviare, champagne and concertos a perfect cure for sea sickness

Cruising was never my shik. While others were enraptured by the sparkling sunset dancing on the waves, I was busy clutching a rail or sleeping off the dramamine - getting there was never half the fun. But I am now a devoted sailor, happily striding up the gangplank with the sure knowledge that the next 12 days are going to be spectacular.

This turn-about has nothing to do with a new wonder drug, but everything to do with music. Consider this: I am curled in a cushy, brown leather barrel chair in the Grand Salon of Costa-Paquet line's flagship, *Mermoz*, listening to Mstislav Rostropovich rehearse Bach's Suite No.3. Tull windows on either side of the room reveal a smooth Mediterranean glistening in the sunshine. At the far end of this floating concert hall stands a long mirrored bar, ever open to one's quenching needs.

I'm encouraged to be a part of "Slava's" musical decisions, his judgment to interpret a phrase *molto agitato* or *andantino*, to improve a trill almost imperceptibly, in fact, to be an emotional participant in the making of wonderful music.

The Music Festival of the Sea is a magical odyssey which sails from Toulon at the beginning of September. It uniquely combines the finest musicians with exceptional French cuisine and tours of interesting ports of call. Of course the usual cruise activities are all available on board, such as shopping, table tennis, bridge, swimming, movies, gambling and gossiping, but the consum-

ing passion is music. Rehearsals and concerts - as many as three a day take place on board or at some exotic venue on land; plus the enviable possibility of chatting informally, around the pool, at the bar, at lunch or dinner with one of the other passengers who might just happen to be the conductor of the Sinfonia Varsovia or a superb violinist, soprano or pianist.

A typical day at sea might start with breakfast in the cabin or in the glass-enclosed top deck called the Lido where a large buffet awaits. Most passengers arrive here wrapped in their cotton robes (supplied), later hunching outside by the pool. From 10am the Grand Salon gradually fills with musicians and passengers for the daily rehearsal. You come and go quietly, read and listen, have a coffee or a bloody Mary, take a few pictures. Or you may choose to attend a morning lecture in English or French, either about the port to be visited or about music.

Last year, Misha Donat, head of Chamber Music for BBC Radio 3, talked and interviewed musicians for the Anglophones. At one of them, oboist Douglas Boyd and Donat discussed Mozart's antipathy to the flute. A quiet voice from the back of the room inquired: "Then why didn't he write The Magic Oboe?"

After a buffet lunch, you may take the afternoon excursion (air-conditioned buses and guides await), or choose to read and eavesdrop around the pool ("I didn't recognise her - her hair was blonde last year" or "Chopin would have

applauded Lively's playing last night"), leaving the ship later for the private concert on land in some exotic location, Delphi, or Naples' charming old Mercatante Theatre.

My bridge foursome snuggled into a quiet room just off the Grand Salon and as we started dealing, the Takacs quartet came in to rehearse. What a combination!

On some days at sea, a 5pm concert is scheduled, leaving

From 10am the salon fills for daily rehearsal. You come and go quietly, read, listen, have a coffee or a bloody Mary

an hour afterwards to race back to the cabins to dress for the 7pm concert before dinner. Of course, you can cry off but then you might miss something sensational.

Two dining rooms take care of the 373 passengers and 79 musicians - 22 nationalities were aboard. Four of the evenings at sea are formal occasions and for each of them a specific colour is requested - ladies are advised months ahead. Many, particularly the French, sweep into the salon with just the subtlest pause at the entrance; one should not miss the matching hardware from the ship's safe. A really grand time to ogle.

Cabins are no better than adequate but the food is wonderful. Chef Jean Louis Abauzit, for 37 years on the music cruise, says that this is the most deluxe for Paquet. On board are 3,000 bottles of champagne (if you are unhappy with what is poured, just ask for Dom Perignon and you will have it). 70kg of caviar, 110 of foie gras - you get the picture. In fact, by the end of the cruise, what you'd really like is a cup of bouillon and a boiled egg - without the egg.

The genius behind the musical cruise is amateur pianist Andre Borocz who, after running successful festivals in Aix-en-Provence and Menton, proposed the idea to Paquet. He finds the musicians; his wife, Jacqueline, co-ordinates the organisation.

Last year the *Mermoz* ventured out of its usual Mediterranean route, making stops in Morocco and Madeira before returning to Spain and home to France. For those who, for example, were not interested in touring Marrakesh, a later bus brought them, in time for lunch - from pigeon pie and couscous to every known meat, fish, veg and fruit - at the Hotel Mamounia. The private concert was held in the courtyard of the opulent Palais Layard. All went beautifully until the muezzin sounded loud and clear. The Takacs Quartet could only pause, smile, shrug and continue with Mozart.

A small panic went through the ship when it was learned that Paquet's ships, the *Pearl* and the *Mermoz*, had been sold to the Italian line, Costa. But fear not. Mr Costa, on board last year for his first musical

cruise, said that all of his other ships are for the mass market - he has just ordered a new one capable of taking 2,300 passengers - and Paquet will be his quality line. Until the end of 1997, when an international safety convention takes effect, no changes will be made. Prices, ranging from \$4,500 to \$7,500 per person in a double cabin, give pause even to those with healthy wallets, although this includes everything except end-of-the-cruise tips. Fifty per cent of cabins for the 1995 cruise were sold by the time the ship had docked back at Toulon.

A traditional anecdote - it may be apocryphal - has it that a woman who had been on the cruise 15 times was asked what she really liked about it. She replied that her bridge partner was superb, the ambience suited her perfectly and the food was lovely. But the music, came the query, how about the music?

"Oh," she answered, "it didn't bother me a bit."

■ **Musicians on board in 1995:** Piano, Evgeny Kissin and Tamas Vasary; Violin, Salvatore Accardo and Shlomo Mintz; Viola, Yuri Bashmet; Clarinet, Paul Meyer; Flute, James Cahoon and Emmanuel Pahud; French Horn, Barry Tuckwell; Contrabass, James Bowman; Ensembles, English Chamber Orchestra, Fine Arts Quartet and Classic Bunkers. ■ **This year's itinerary, September 1-18:** Toulon, Naxos (Greece), Heraklion (Crete), Kas, Antalya (Turkey), Naples, Genoa, Toulon. For further information, telephone Costa/OCCL on 0171-723 5557. Fax 0171-702 0490.

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P & O CRUISES

TRAVEL

Amid the dug-out canoes, bumboats and sun-blasted wooden ferries crowding the jungle port of Manaus, Brazil, a sleek white ship of unimaginable luxury, the *Seabourn Pride*, was leaving on a voyage along 1,000 miles of the caramel-coloured River Amazon.

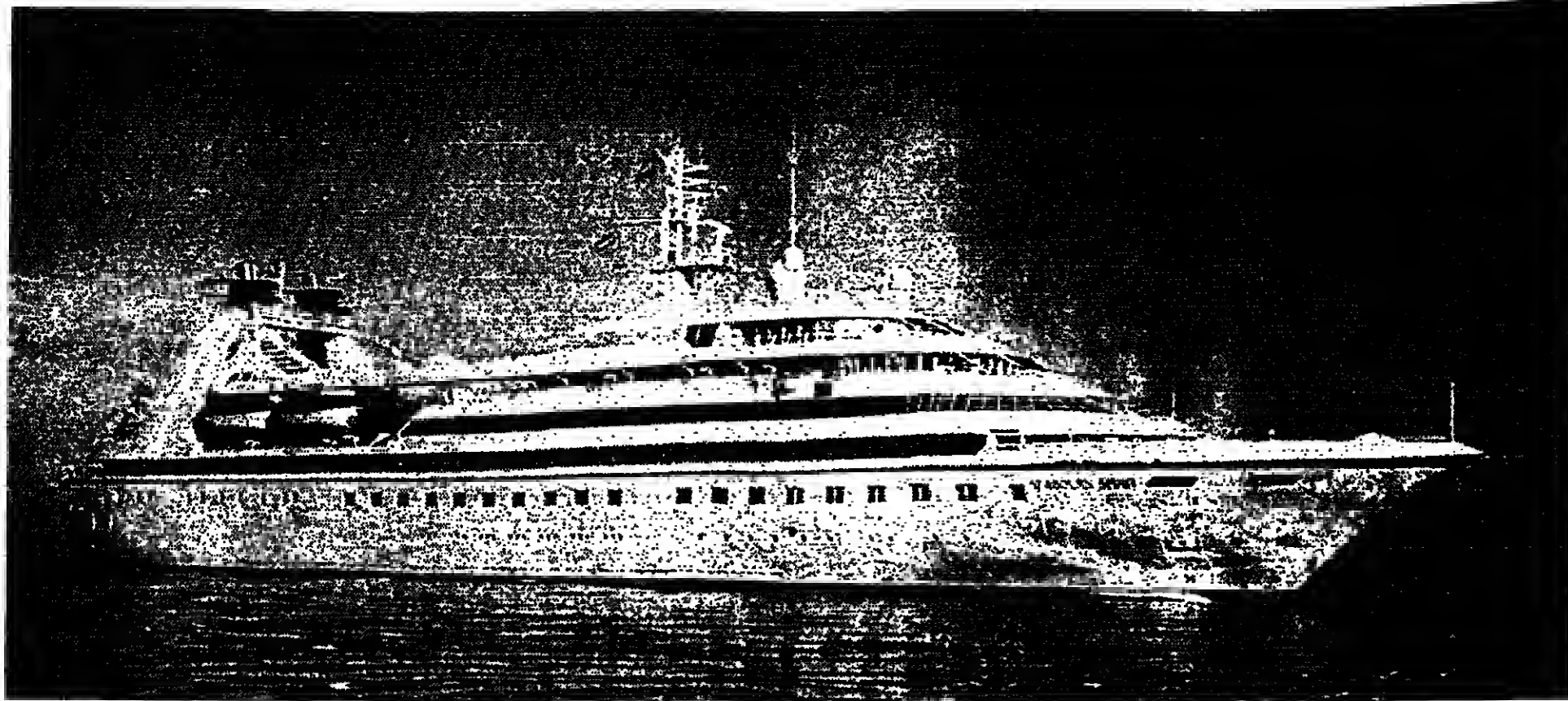
This tiny ship, which carries only 200 passengers, and her twin, *Seabourn Spirit*, have set new standards for cruising since they were launched in 1980.

For the third year in succession, readers of *Traveller* magazine have just voted *Seabourn* the world's best cruise line. These are ships for people who could certainly afford their own yacht but who do not want the bother. It is a case of "If you need to ask the price you know you cannot afford it."

But, since you ask, it costs from around \$1,000 a day for each person.

Going on board at Manaus, in the fabled rain-forest climate, the *Pride* breathed refrigerated elegance. A glass of champagne to one hand, I was led across marble floors down pastel-carpeted corridors to my suite. (Nothing as mundane as a cabin on this ship.) A vast space "doubled" by judicious use of mirrors, and containing a fit bed, sofa, a coffee table that became a dining table when you wished to be à deux, desk, bar filled with crystal glasses and several bottles of "free" liquor of your choosing, a television and video recorder. The "porthole" is a lift picture window. The marble bathroom boasted twin basins, a full-sized tub and next door, a walk-in dressing room furnished with hanging rails – vital for those (and there were many) who changed four times a day.

Leaving Manaus gave us a dramatic view of this exotic city. In the 1980s, when almost all the world's rubber came from the Amazon, it grew into an opulent boom town with broad tree-lined boulevards and vast colonial mansions. The famous Teatro Amazonas, the replica of La Scala, built in a jungle clearing, still stands today. It has been beautifully restored as a testament to that golden era. Now the city is largely a throbbing slum, a jumping-off point for trips up and down the Amazon in varying degrees of excitement or discomfort. (The favourite



The *Seabourn Spirit*: chilled champagne, marble floors and dinners à deux, should you desire

VIPs of the Amazon jungle

Catherine Stott passes through another more primitive world while sitting in the lap of luxury

costs \$100 for 10 days, sleeping in a hammock on the deck of a ferry – that would buy you just 2½ hours on the *Seabourn Pride*.)

To enlighten us about the ports of call on our 16-day voyage, we had an "enrichment" lecturer, Captain Loren McIntyre, who, 43 years an Amazon explorer, discovered the river's true source in a Peruvian mountain lake, which is now named after him. No better guide could have been found. His lectures were a superb preparation for a journey through the last great wilderness on earth – a virgin jungle the size of Europe.

Sometimes the River Sea, as the native Indians call the Amazon, was so wide you could see neither side. At other times you could almost reach out and touch the rain forest. We British had prepared for our motorised canoe trips and

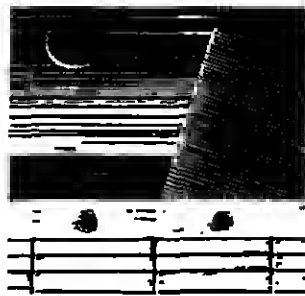
jungle walks with malaria prophylaxis, insect repellent and protective clothing.

The normally paranoid Americans wore shorts, took no medication and, dammit, survived unscathed.

It seemed quite extraordinary to be gliding along through the jungle in air-conditioned splendour when a few feet away there were snakes that kill in seconds, Indians with poison darts and, beneath us, deadly fish.

We clambered into motorised canoes to explore the spinach-green waterways of the Anavilhanas jungle archipelago, passing the primitive settlements of Caboclos, riverside peasants of mixed Portuguese and Indian blood who live either in stilted villages or aboard rafts.

Their lives are divided by the climate – when the mid-year rains come, the forest is more than 50ft under water.



CRUISING
Luxury

Footpaths became waterways – you paddle your canoe above the treetops. Where birds flew, fish swam.

Landing in December, the low water season, we visited what is arguably the world's most oddly sited hotel – the Arianu Jungle Tower, a tree-top

lodge with dizzying 63ft high stilted walkways above the rain-forest canopy, from which you look down on rare orchids, green monkeys and brilliant macaws.

The same evening we anchored in mid-stream and were taken to a bone-white river beach for a barbecue of freshly-caught fish. When it poured with rain they gave us each a plastic bag to sit in – making dancing hilarious when the salsa band arrived by canoe.

Those from the pampered cases of Beverly Hills, Scarsdale, Park Avenue and Park Lane revealed in the very mild discomfort of these forays, ever mindful that soon they would be returned to the sybaritic cocoon of a five-star plus ship.

It cannot be easy to stock a ship for a jungle cruise but the chef performed like a magician, conjuring up oysters, lob-

ster, caviar and designer salads from who knows where. The food was perfect, the service caring beyond belief (the entire staff memorised your name within two days). And for those on a romantic sojourn it was a delight to have dinner in one's suite, each à la carte course arriving with immaculate timing.

River cruising is never boring. Sitting in the top-deck Constellation Lounge with its wrap-around view, over an ice-drink, gazing through binoculars was perfect. The life of the river bank came alive.

Shore excursions were particularly well-chosen. Docking at nightfall at Parintins, the folk-love capital of Amazonia, we went by school bus to a "Boi Bumba" carnival; several captains of industry shed their inhibitions on the dance floor after a couple of local fire-water cocktails and danced

entranced with the feathered, bejewelled local beauties.

Our fellow passengers were industrial strength capitalists, amiably elegant, witty and knowledgeably world-travelled. American, German, Swiss, British, Australian. (Oddly, the finest suites were occupied by Ecuadorians.) There was a large and affluent gay contingent from all nations who quickly got together and held the best (we hear) cocktail parties.

Several riverside villages welcomed us with dancing and gifts of feathered-necklaces, memorably at Alter da Chao, an idyllic spot on a palm-fringed lagoon ringed by thatched, stilted houses.

Passengers jumped at the chance to attach morsels of best fillet steak to strings to catch deadly piranhas (we threw them back). The riparian life was timeless: water buffalo

lined the banks, dogs and toddlers frolicked in the tea-brown waters, green parrots dived-bombed us. Floating laundries bobbed past. Manioc root was pounded with piranha flesh, the staple diet.

Aboard, there was a fair amount of "what plane do you fly" one-upmanship, and which addresses in Palm Beach were "below the salt," but it was for the most part good-natured and amusing badinage.

My vote for the best overheard bitchy comment came from a Manhattan attorney, to his wife: "I'm not dining with her again, she's had a charisma bypass. Triple."

At Monte Dourado, where the late Daniel K. Ludwig's dream Jari Project churns out 753 tons of wood pulp a day, we raced in motor canoes for two hours through matchless jungle scenery, transferring to wooden paddle steamers which went aground during our luscious picnic. When the wine ran out on ours, the waiter, appropriately named Bacchus, jumped into the piranha-ridden waters and, with his tray held high, swam to the next motorised craft for reinforcements. A hero.

The ship spent the last two Amazonian days cruising the Brevia Narrows, slim jungle channels of harrowing solitude with a mile between each waterside home. Children circled the ship in their dug-outs frantically waving at this astonishing craft passing so close to them.

Then it was out into the Atlantic and a non-call at Devil's Island because of stormy weather... clever of Papillon to have escaped from there in those seas. (River cruising makes you forget that water can be rough... we had a fairly vivid passage thereafter to Antigua. St Thomas, the Grand Bahama bank and into our disembarkation port of Fort Lauderdale.) We had sailed 4,000 miles in extreme comfort, had quite enough adventures for the rich and timid and learned, I hope, how the Amazon functions. Quite unforgettable.

■ Catherine Stott was the guest of *Seabourn Cruise Line*. *Seabourn Pride* will visit the Amazon this month, next month and in November and December. A 14-night cruise costs from £3,500 per person, including the flight to or from Manaus, all Amazonian excursions and gratuities. For brochures and reservations call 0171-390 4417.



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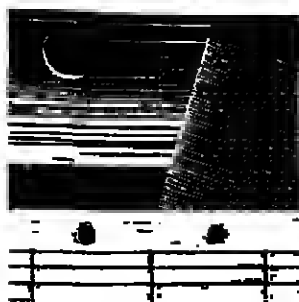
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سكيا من الال

TRAVEL

Under sail on an antidote to civilisation

James Henderson joins Club Med I, visiting some of the smaller Caribbean islands while indulging in a surfeit of watersports and good food

CRUISING
Sailing

I thought I might be keel-hauled or made to walk the plank if I was caught reading a book on the Club Med yacht. But such preconceptions are blown away – quite easily when you are in the tropical sun and under full sail (nearly 3,000 sq yds of it), with a horizon of Caribbean islands and nothing to worry about but which windsurfing sail to try, and whether to have dinner à la carte.

Club Med I is the largest sailing yacht in the world and it cruises the Caribbean islands in the winter months. It is a magnificent five-masted ship with fully computerised sails, decks laid with teak, two swimming pools, two restaurants and a watersports hall.

But even as the world's largest sailing yacht, Club Med I (with a maximum of 400 passengers) is still small in comparison with most Caribbean cruise ships (which take 2,000 passengers in some cases) and so it has the advantages of intimacy and a more flexible itinerary.

The Club Med formula is still not that well known in the UK – you might have been persuaded to join a French friend in a Club Med Village, or discovered with relief the benefits of an all-inclusive package when the children's watersports bill became so huge – but Club Med still has difficulty shaking off the image of an up-market holiday.

Of course, you will be left alone if that is what you want, but all the essentials of a holiday are there in the setting,



The openness of Club Med makes it easy to enjoy the pleasures of the cruise with fellow passengers – trips ashore or simple meetings while you are leaning on the rail and watching the lights of a port recede to the horizon

the activities and the entertainment.

You, the GMs (*Gentils Membres*) are shepherded gently through all the activities by GOs (*Gentils Organisateurs*), tanned and pretty young things each one of them.

As the name suggests, they are there to organise you and they will always offer a cheery good morning if you catch their eye, but it is by no means intrusive. They are a hard-working and dutiful bunch and they lay on the nightly entertainment – cabaret and variety shows.

On board, I opted for a diet of intensive watersports, and so my hang-out was the Hall Nautique, a fold-out watersports platform that emerges

at the stern of the ship (the sort of place that James Bond might pop up at any moment).

Here I was helped finally to tame a windsurfer by the compact and sinewy Bruno and had a brief and unsuccessful flirtation with waterskiing under the care of the redoubtable Parisienne Catherine. Scuba-diving was under the tutelage of two cool Canadians, Jonathon and Vincent.

In order to combat the effects of the other diet (the food on board Club Med I is excellent) I also put in a little time in the weights room, on an exercise bike with a view, guided and advised by the huge Ludovic, or Monsieur Musculation.

For a sailing ship (between 20 and 30 per cent of its power is generated by the sails), Club Med I gives a remarkably smooth ride. It does not even list. The effect of a keel is created by the ship's 187-metre length and it is kept steady by ballast. I saw the GOs teeter on stage only once during the whole week.

Club Med I is one of a number of smaller cruise ships which have appeared in the Caribbean over the past few years. Like the Windstar series (which look remarkably similar but have about 150 passengers) Club Med I and Club Med II (which cruises the South Pacific) were built in Le Havre. The two Club Med ships

have only a five-metre draught and this means that they can reach waters that the larger cruisers cannot and so there is access to isolated beaches not usually available on Caribbean itineraries.

There have been some changes in bringing the Club Med plan on board. The old egalitarian spirit of the original Club Med (post-war tents at the seaside and self-made entertainment just after the war) has really passed now.

Over the past 10 years the company has diversified and the villages are now categorised. The Club Med yachts are at the top of the range.

The atmosphere on board Club Med I is a little more formal than in the villages, and the average age a little higher, though it is still less formal and senior than on other cruise ships (where it is often the rule to dress for dinner).

"On se souvient", to the chagrin of long-time Club Med goers, who have come to expect the intimacy of the *tu* form. No children under 10 are allowed.

For an organisation that once called itself "the antidote to civilisation", it is all pretty sophisticated. The only time that it tips into hi-de-hi is during the hand-clapping at the introduction of the GOs and at moments during the entertainment when they sing the Club Med song.

But the traditional openness of Club Med makes it easy for you to enjoy the pleasures of the cruise with fellow passengers – largely protracted dinners, trips ashore, or simple meetings while you are leaning on the rail and watching the lights of a port recede to the horizon.

Here, the captive audience has an advantage over a more traditional hotel-based holiday, even in the Caribbean. There is a fairly international clientele (as with the GOs, who seem to come from most European countries), but it helps to speak French.

It takes a few days to get to know the ship and I kept discovering new areas on board,

each one marked by its own GO. I stumbled by mistake into the boutique (not a usual hunting-ground of mine) and met a couple of faces I recognised from the nightly shows. Quite by chance, I discovered the masseuse.

But most revealing was Denys, the lyrical cold buffet chef, who talked longingly about the cuisine of the Jura and his philosophy of the palate.

Happily, Club Med I tends to avoid the larger Caribbean ports of call, which on a bad day tend to be overrun with lobster-red long distance shoppers exercising their credit cards.

The islands it does visit tend to be smaller and to have a little more Caribbean charm – Bequia and Carriacou in the Grenadines, Jost van Dyke in the Virgin Islands and the Saints off Guadeloupe.

I never really did meet the GOs in charge of on-land excursions, which for some are a significant part of cruising life, of course. I was still giving my feet second degree burns on a windsurfer.

As for being forcibly joined in, there was not really any group activity, except perhaps aerobics (never again).

In the end I quite enjoyed the shows and seeing the GOs I had come to know performing some unlikely routines.

The chef de village could turn in a mean Charles Aznavour, but my favourite was the unlikely sight of an impossibly Bruno (windsurfer) and the hulking great Ludovic (musculation), in tutus, doing their version of *The Nutcracker*.

I even managed to finish a couple of books while on board.

Club Med I cruises the Caribbean during the winter months (November to mid-April), following four different itineraries, and then returns to the Mediterranean during the summer.

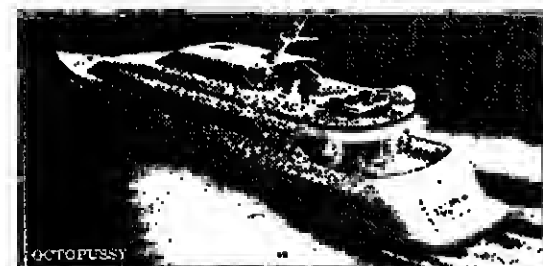
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PROPERTY

Flat dwellers slow to home in on rights

Do not let obstacles put up by a landlord deter you from buying your freehold, advises Gerald Cadogan

Fifteen months after the Leasehold Reform, Housing and Urban Development Act 1993 came into effect, the number of claims by leaseholders against their landlords remains only a fraction of what it could be. Since November 1993, the Act has extended the provisions of the Leasehold Reform Act 1967 by allowing flat-owners collectively to buy the freehold of their building, or individually to buy a 99-year extension to their lease, and has abolished the right to a rent restriction that stopped owners of larger houses acquiring the freehold.

But most eligible leaseholders seem to have adopted a policy of "wait and see". That does not mean there is no interest. At the end of its first year, the Leasehold Enfranchisement Advisory Service (LEAS) has received nearly 4,000 inquiries, "from Neasden to Eaton Square, via retired people in Bournemouth and South Wales", says its chief executive Peter Haler.

But the number of actual claims has been low. In London, the Grosvenor Estate reports "a trickle" (for house freeholds) and the Cadogan Estate "about 50" (for house freeholds, flat lease extensions and one collective freehold for flats).

The reason, says Charles Boston of valuation surveys Boston Carrington Pritchard, who is acting for 50 leaseholders on different estates, is that tenants view it "as untrodden territory". But there is "nothing substantially radical about the valuation provisions and nothing new about 'marriage value'".

Do not be frightened by complicated procedures or by a counterclaim

stop tenants offering less than 50 per cent. But now landlords are demanding 100 per cent.

Stuart Corby, chief executive of the Cadogan Estate points out that the estate gave away 100 per cent marriage value in granting the lease in the first place. "It is a bit rough to get only part of it back."

This runs counter to present practice. Boston and other tenants' surveyors believe that tenants should not be bamboozled into paying more than 50 per cent. "Do not be frightened," he says, "either by the complicated, lengthy procedures (when you may encounter unexpected delays) or by a counterclaim based on 100 per

cent MV, or by the thought that it may have to go to the Leasehold Valuation Tribunal (LVT) or, on appeal, to the Lands Tribunal.

Why? Because to date the leasehold tribunal has decided six cases, and in two significant ones in north London, reaffirmed splitting the MV 50-50. In December, in *Sked v Towngrange Developments*, it decided that the freehold of 155 Gloucester Avenue, NW1 should cost £24,000, and not £34,100 as the tenant claimed or £18,500 as the landlord wanted.

For such a long lease, the leasehold tribunal applied a 13 per cent rate to capitalise the landlord's loss of ground rent and freehold interest, and assessed a freehold value of £499,000 - only 1.8 per cent above the leasehold value with 89 years left.

The leasehold tribunal also refused Towngrange compensation for loss of commission on the insurance and the service charge. Landlords may see that as a "nice little earner", but it is irrelevant for MV.

Last month the same leasehold tribunal ruled on a 90-year lease-extension for a flat in Eton Avenue, NW3 which had 43 years remaining (Black v Eton College), and again split the MV 50-50, deciding that Black should pay £5,397, not 100 per cent as Eton proposed (claiming £25,250). Eton "failed to satisfy us that there is evidence of open market negotiations supporting reasonable receipt of a larger share".

In future cases a landlord's surveyors may quarry hard for evidence that can support more than 50 per cent but, at the moment, these are the precedents under the new act.

For the Black case, the LVT decided on a 7.5 per cent rate to capitalise the landlord's losses, as the lease had only 43 years left and thus was a significantly increasing asset for the landlord rather than a barely noticeable one (as in the Sked case). The resulting £4,206 for Eton's losses was added to the existing leasehold value (£65,000) and both deducted from the freehold value of £80,000, to produce £10,794 MV. Black was to pay half of this, plus the £4,206, plus Eton's and her own costs.

Joan South of the Leasehold Enfranchisement Association praised the "feminine care and effort" with which Black and Sked presented their cases, and wondered whether any commercial firm could do the same. "It would take too much time, and cost too much." But Norrie Sked is now acting as a consultant for Havills, chartered surveyors.

Some leaseholders find it advantageous to apply prior to selling on - such as the Thatchers, who acquired their



freehold in Flood Street, SW3, from Cadogan under the old rules of the 1974 Act and the Leasehold Reform Act 1967 and then moved on. One can even do this and get the subsequent purchaser to foot the bill, by writing that into the contract.

So what are the worst hurdles? ■ Getting enough people to act together in the collective enfranchisement of an apartment block and its subsequent management is too daunting for many.

If an individual lease extension looks easier, remember that it only continues the present pattern of ownership - and wasting assets. In some blocks nothing is possible anyway because more than 10 per cent of the building is in commercial use.

This is particularly galling, the LEAS notes, for the "typical London mansion block of five residential floors above a terrace of shops".

Loans may also be a problem for collective enfranchisers

because there is "a large element of unsecured capital" for the LEAS, which is trying to "roll up a package with the Council of Mortgage Lenders". ■ Leaseholders must pass the "marriage test". The original ground rent may not exceed

thirds of the rateable value, £1,000 in London for leases prior to March 31 1990, or £250 elsewhere.

But there is an extra, less-known test for leases granted between September 1 1939 and March 31 1963. Their initial term cannot exceed two-thirds of the then letting value.

Julian Briant of chartered surveyors Daniel Smith points out. It has led to "a good deal of interest" in those values. ■ Landlords will be zealous in checking that applicants pass the residence test. Has the property been the main residence for the past three years or three of the past 10?

If the tenants also have a house in the country, they will ask how they divide their time, and where they do what - and may expect an affidavit in support. Do the gas bills and income tax demands go to London or the country? Children at a London day school are a strong case for London as the main residence.

Corporate tenants do not qualify. But those who hope to pass the leasehold title to an individual who qualifies must read the lease carefully. The freeholder may have the power to refuse to agree to such a transfer and, says Robert Orr-Ewing of Knight Frank & Rutley, he usually exercises it when he does.

The courts may change this, but it will need a very determined or a very rich person to challenge it.

Is it all worth it? Yes, say those who enfranchise or extend their leases before selling on. And if you buy enfranchisable property, George Pope of John D. Wood points out, you necessarily give yourself time to raise the freehold money.

You have to reside for three years before the second - freehold - tranche is due. In the meantime do your homework thoroughly. It is a complicated law but, as the LVT settles more cases, the body of case law will grow.

"Start the ball rolling now," says Boston and, in nine months, when the price is set, "the landlords will hopefully have given up this attempt to scare tenants away from their legal rights".

■ **Leasehold Enfranchisement Advisory Service: 0171-493 3116**
Leasehold Enfranchisement Association: 0171-537 0066

It can be advantageous for some leaseholders to apply prior to selling on

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GARDENING / PROPERTY

Gardening Prepare for the sun

Robin Lane Fox peers beyond the clouds to a brighter world

The only dry gardens in the UK are indoors in pots and boxes. While we gardeners are all

rained off, I will follow up last month's half-hardy prelude with a short list from the fool-proof section of the seedsmen's list: the hardy annuals which anyone can raise if you order them in time.

See beyond the floods and storms to June. I will concentrate on hardy varieties which can be sown directly into open ground, beginning in early April and continuing through until mid-May in order to prolong the season.

Try not to sow the entire packet at once, because you can extend the result by staggering the race. Right now, you need to order early because the fine forms have a way of disappearing.

They do not appear in every garden-centre, but they are all on offer in the main catalogue of Thompson and Morgan of London Road, Ipswich, Suffolk IP2 0BA (0473-688221).

Many of them can be sown indoors, preferably in small pots. They will come on quickly, so do not start them for at least six weeks. I will start by shortlisting one form of poppy and a close relation, both of which are best sown directly into the ground. They develop main root and those of you who wrote to complain about failure last year had usually transplanted them and disturbed the system. Thinning outdoors in situ is the right treatment.

The poppy family is becoming horribly frilled, ruffled and over-improved, but the best form is a shining beacon to the family which is being made to forget its wild origins. Papaver commutatum Lady Bird is a romantic Flanders Poppy.

Its single deep red flowers have a black blotch and stand

about 1ft high. It grows in any sunny soil, even a poor one, and has the class which other brilliant reds lack.

It has never failed me, and those who see it seem to want it. They also want a lesser-known Californian Poppy until they hear the name, Eschscholzia caespitosa Sundew. The reality is less than a mouthful than its awful name: Sundew is about 6in high with pale yellow flowers, pretty green-grey leaves and a scent which I do not always notice. It looks marvellous in the cracks of a specially-distressed path or on raised beds. It comes up like a weed, but is never intrusive and is a perfect pop for alpine and small hardy plants after

The poppy family is becoming horribly frilled, ruffled and over-improved

their main season.

Three of my old favourites now come in new Thompson and Morgan selections and I have to shortlist them all. The coloured-leaved Clary is an old friend, but it always used to be sold in a mixture of pink, purple and white in the Salvia section of the list.

The recent Claryssa strain separates the colours into individual packets and allows you to plant pure white groups or to enliven other colours with a few pink highlights.

Claryssa is smaller, only up to 18in high, but those who grow it last year found it excellent in blocks of single colours wherever their borders had a gap in the front row. It thrives in hot summers, making it a worthwhile choice for



Traditional varieties of sunflower (above) are still a popular choice in gardens but new types such as Italian White and Moonwalker are also worth trying

UK gardeners in exile.

Deep blue phacelia and sky blue nemophila are old standbys, but this year their forms have been extended. I am not quite sure about Phacelia Royal Admiral because it is said to have been chosen for its rich royal "purple-blue", the great joy of the ordinary low-growing campanularia was that it had no purple at all.

Perhaps I should favour another new exclusive, Tropical Surf which spreads sideways and flowers massively. The nemophila, I know, is excellent. It is being sold as Snowstorm because it is a low-growing white whose flowers are spotted with black, a visual improvement on the recently popular Peonie Black which is black-flowered with a white

edge. Snowstorm is a white winner at garden level or in the edge of mixed pots, preferably in not too hot a place.

What about height, the other extreme? Here, I must reiterate the star quality of the new types of sunflower, or Helianthus, the best of which can be sown straight outdoors in late spring.

Italian White is a winner which is always said to reach 4ft, but I keep mine lower by picking off the dead flowers.

Moonwalker is 1983's new excitement, a lemon-yellow sunflower with dark brown centres and up to 10 flowers per plant at a height of 5ft. Supposedly, it is hardy, but I can think of so many uses that I will start the seed off indoors later next month.

These two new varieties are the hardy pairs to my absolute number one among annuals, Venidium Zula Prince, another white with zoned centre at a height of about 2ft. This great introduction is not, however, hardy and should be started indoors: it is the one which also does the rounds as Queen of the Veldt and I can only say that it is my star annual of the past three years.

All these sunflowers are excellent choices for gardens in countries where the local seed-lists are still stuck with the boring, run-of-the-mill varieties in an Italian park or a French floral clock.

For years, I have campaigned for the annual white flax with the dark eye which also likes sunny, expatriate life, as well

as British moderation.

It is now quite safe in several lists, segregated as Linum Bright Eyes and worth every penny for its silky quality. Behind it, I will go for an old favourite in an evocative variation and a new arrival in front which looks tremendous.

The old favourite is Love-in-a-Mist in its darker form called Oxford Blue: it sounds like an essential companion for academic life, beyond the reach of the prevailing harassment code.

The new is from California, but the pictures make me want it too. Linanthus limiflorus is a foot high, described as lavender blue but depicted as pure blue and said to be "long flowering". Completely hardy, it could well give high value, as

it flowers in clusters which is always a good sign for impact.

Most of these varieties are only available if you send away for them in order to raise your spirits on these wet days, if you cannot be bothered and simply want something you know, grow nasturtiums, and be thankful for one essential bit of advice. The fashion nowadays is to reduce them to little "low mounds" which miss the point.

Nasturtiums should trail far and wide or run up walls on their best to channel the new housing estates to the edges of towns and villages, but there they intrude all the more on the countryside.

Call for perfect pitch

Of all the regions of England noted for their domestic architecture, the Cotswolds has that sense of place that makes it so readily identifiable.

The familiar narrow stone cottages, with steep pitched roofs and gables and dormer windows, fit in so well with the countryside that it is often said they look as if they had grown out of the ground.

In recent years, however, there has been concern in architectural and conservation circles that despite rigid planning controls some estates on the outskirts of Cotswold villages contain houses built of reconstituted stone with concrete roofs that could be found anywhere in the country.

"We find that the design in individual houses in the Cotswolds is frequently getting better, but whenever there is an estate of more than half a dozen buildings it seems that standards have not improved at all," said Gillian Salway, chairman of the Oxfordshire branch of the Council for the Protection of Rural England.

The district councils do their best to channel the new housing estates to the edges of towns and villages, but there they intrude all the more on the countryside.

According to The Wallace and Hoblyn partnership, an architectural practice based in

If you build a cube, a roof of traditional pitch will end up much too large

Moreton-in-Marsh, small developments of this sort should blend in with the surroundings and be built from sympathetic materials.

The practice specialises in conversions and new domestic buildings in former farmyards and parcels of land in villages throughout the Cotswolds. The aim is to reflect the local architectural styles using traditional materials.

At Kingham, near Chipping Norton, Wallace and Hoblyn have designed 16 homes on a former farmyard site. There is a mixture of conversions and new homes, but the narrowness of the buildings and the pitch of the roofs means it is hard to tell the difference between old and new.

Real stone has been used for all the exteriors but the roofs have a variety of materials. Some are Welsh slate, some natural stone slates quarried locally, and some artificial stone slates.

Architect Fred Batterson, of Wallace and Hoblyn, said: "The key thing is not so much the roofing material as the shape and style of the building. It is vital to get the pitch right. In many modern developments, builders have gone for a variety of materials rather than the rectangles that constitute traditional Cotswold domestic buildings."

The reason for this is economy. It is cheaper to build a cube than a rectangle.

"But if you look at the older cottages, the span from front to back of the building is usually only 12ft-14ft. If you extend this, a roof of traditional pitch will end up far too large. Our policy therefore is to create L and T-shaped plans which limit the roof spans and give a steeply-pitched roof of conventional cottage proportions."

One man constantly fighting for better standards in building materials is Michael Hill, conservation officer for the Cotswold District Council. The author of the recently-published *Cotswold Stone Homes*, Hill tries to encourage the three quarries producing natural Cotswold stone roofing by implementing a policy that discourages the use of artificial stone roofing on listed buildings. However his council's policy on new houses in conservation areas is to permit artificial stone roofing, depending on the position of the site.

"There are a number of artificial stone roofing products that are very good in both colour and texture," he said. "But they are made to take nails or pegs like traditional stone slates so the workmanship, which is the majority of the cost in a roof, has to be of a similar quality to that used in traditional stone roofing."

Cotswold Stone Homes by Michael Hill and Sally Birch. (Alan Sutton, £16.99)

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OUTDOORS

Motoring/Stuart Marshall

Fords to wipe away bad memories

The only Ford car I have ever bought brand new was an Early English Perpendicular Anglia; the kind people used to call simply Ford 8s.

It had six-volt electrics, a three-speed gearbox with no synchromesh on first and cable brakes. The vacuum operated screenwipers dried up completely when the throttle was opened wide and it had a funny habit of diving for the kerb on corners taken at little more than walking pace.

I was immensely proud of it, although, looking back, even for its time it was a primitive car, outclassed by contemporaries such as the Morris Minor. But I was a penniless young reporter. At £227 and 10 shillings the Ford 8 was the cheapest car in Britain. That was why I had bought it. I could afford nothing better.

Our lives are said to be conditioned by early experiences. My motoring life certainly has been. I must have driven every Ford sold in Britain during the last 40 years - Consul and Zephyr, Prefect and Cortina, Capri and Escort, Fiesta and Granada and others whose names I barely remember.

The thought that Fords were sound enough cars but destined to rate no higher than second best has never left me.



Ford Mondeo 24V Ghia. At its heart is a silky-smooth American-made V6 engine



The 1985 Ford Escort Ghia. Minor cosmetic changes, but a radically improved car

Until now, that is.

Actually, I suspected my attitude toward Ford cars might be getting out of date when I first drove the new Mondeo two years ago. Unlike quite a few Ford cars - early Granadas and several front-wheel driven Escorts come to mind - the Mondeo was right from the word go.

That could not have been said of the latest shape Escort, which had a justifiably lukewarm reception when launched in 1990. But gradually Ford responded to criticism by correcting stodge handling and improving lacklustre performance. Now a series of mid-life changes have moved it toward the top of its class.

When I drove two of the new Escorts - a 1.6-litre petrol-engined Ghia five-door and 1.8-litre turbo-diesel Ghia estate - in the south of France last month, my first impression was of great refinement. Even when driven hard, their engines sounded decently remote; the transmissions (five-speed manual only for the

moment) were silent; and both wind and road noise were at the low levels expected of executive cars. In general, they felt more like slightly downsized Mondeos than merely improved Escorts.

Suspension changes have sharpened Escort steering response and improved both roadholding and ride comfort. Power-assisted steering is standard on LX models and available as an optional extra on all the others except those with 1.3-litre engines.

On every kind of road from smooth autoroutes to rough and twisting country lanes the Escorts were well mannered, willing and above all, refined. Only the gearshift got a

are good enough to meet their rivals head on.

Prices, only 2 per cent higher than before, start at £9,495 for the entry model Escort 1.3 Encore.

After sampling the new Escorts in France, I spent a week back in Britain with a 2.5-litre V6-engined Mondeo Ghia 24V 5-door. This was so good that, had I been put into it with all identification marks removed, I could have believed I was driving a BMW or Audi.

The US-made 24-valve engine develops 90 per cent of its peak torque (pulling power) over a wide speed range and overall gearing is moderately low. This means that once out of town, a lazy driver can stay in top gear for most of the time. Yet the V6 spins eagerly and sulkily to high revolutions so that overtaking can be rapid and safe. It is also a totally relaxed motorway cruiser.

Rear seat headroom and legroom are less than generous though this will not trouble the business motorist who normally drives solo. He - or she - will find the lavishly equipped, £19,815 Mondeo 24V Ghia, one of the best choices in its price class. And as for me, I promise never to underrate a Ford car again.

Graceful curves, awkward stuttering turns, or straight down, head-over-heels - there are several ways of getting down a mountain.

Getting from head-over-heels to elegant curves requires time in the mountains, hours of practice and expert tuition - but a few tips from fellow skiers can help enormously.

Weekend FT asked readers to share their skiing tips and then asked ski celebrities for their contributions. The responses were many and varied - some serious, others less so.

For those who plan to venture into powder, for example, Mark Peaker, of Lausanne Switzerland, has a one-word suggestion: "Relax."

He explains: "You can't ski powder if you are tense. Hold your arms out wide and try to let your skis glide in big swings. Don't try to force a turn and remember - every powder skier falls over, and so will you."

Christopher J. Ames of London agrees: "Relax by conquering fear and keep your shoulders facing down the fall line."

For those on the piste, Anthony Leech of London suggests: "One only ever skis on one ski. The other, if you forget it, will find its own way down. If all else fails, whistle your favourite tune and admire the view."

Starting young, keeping fit, finding an instructor who speaks your own language, taking private lessons and spending as much time on the snow as possible are suggested by many respondents. And Dr J.H. Swallow of Chelmsford, Essex, adds: "Confine your drinking (of alcohol) to the evenings."

Good advice for everyone visiting the mountains comes from Christian Warland of London: "Ensure the only things you leave behind you are the perfect tracks of your skis - no cigarette butts, chocolate wrappers, empty cans etc."

The experience of Ann Miller-Allan, a former professional dancer who was stung into skiing after her son suggested she try it before she "got too old", is both helpful and inspirational to mature beginners.

Two weeks after her son's teasing remark, Miller-Allan, of Seaford, East Sussex, was in a beginners' class feeling awkward and clumsy.

But the rewards followed quickly: "My best skiing was that first time of utter confidence and control while hurtling down a red run with the sound of my son's gleeful cries of encouragement alongside me."

She still dances with an operative company in Eastbourne and has found one exercise good for strengthening the legs for skiing and dancing.

She tells beginners: "Find a gentle slope, ski straight ahead with your feet a foot or so apart, and as you glide forward, simply shift your weight from one foot to the other. You



Olympic champion Tommy Moe: 'Five pancakes, two bananas and yoghurt for breakfast'

Picture: Agency Vandyack, Colorado and Alpeport

Skiing

Take a tip from the experts on how to tackle a slope

Arnie Wilson and Peter Whitehead pass on advice from FT readers and ski celebrities

will naturally start to alpine.

"This movement gives a feeling of superb control when practised regularly and firms the legs. Dancing and skiing go together - suppleness is the key."

But Bernie Cammell of Southampton urges skiers not to take fellow skiers' tips too seriously: "Avoid treating these nuggets as authoritative and take proper instruction. Skiers of all standards can learn from good teachers."

So what do the experts and celebrities have to say?

aspects of skiing that I teach all my students in my clinics is to practise skiing on one ski at a time. This is true of racing and recreational skiing.

Keep a solid foundation or skiing stance. Keep your feet about shoulder-width apart and stay in a racing dynamic position with your hands out in front and your knees bent.

And if you are ever in my neck of the woods (Crested Butte) and like back-country skiing, NEVER ski alone. Besides, it's much more fun to ski with someone else.

Tommy Moe

Current Olympic downhill champion

■ Eat five pancakes, two bananas and yoghurt for breakfast; two turkey sandwiches, salad and fruit for lunch; a mid-afternoon snack (sports bar); and steak or pasta for dinner.

I find I don't get sick as often when I have a little body fat, so I eat around 3,500 calories a day.

Glen Plake

Extreme skier featured in videos

■ Point everything downhill: head, arms and chest. Don't make huge movements with your arms when you're planting your poles. It's a very small flick of the wrists.

And always be aware of your stomach - it's the centre of your skiing.



Franz Klammer

(Above) 'Kaiser' of the Hahnenkamm

■ Always try to finish your turns. Don't skid them - carve them.

Martin Bell

Britain's senior downhill racer

■ When you are skiing in bad visibility, stretch your arms forward and imagine that you are "feeling for the terrain" with your outstretched hands.

To carve turns with a long radius at high speed, do not swivel or rotate the ski to start the turn. Keep the ski tips pointing in the same direction

and just roll the ski on to its edge and the skidcut will do the rest.

To ski in powder, always spread your weight evenly between both feet, and make your movements dynamic but gentle.

David Swanwick

World Extreme Skiing champion

■ Never be afraid to get back to basics. No matter how good a skier you are, spend a few minutes every day in the wedge position.

Andy Mill

Former downhill racer with the American ski team, now director of skiing at Aspen, Colorado

■ Always control your speed and finish your turns.

Maintain a good balanced position with weight on the middle of your skis and a good athletic stance, with knees bent and your hands slightly forward.

Also, never ski without your wife or girlfriend so you have someone to hug and keep you warm.

Chris Evert

(Above right) Former tennis champion, intermediate skier, married to Andy Mill

■ Only ski at Tiehack (Aspen's easiest mountain). Make sure the sun is shining.

And never ski without your



husband or someone else to carry your skis.

□ □ □

The final thought comes from Nigel Lloyd, a Weekend FT reader and member of the One Ski in the Grave club. He advises: "Never take lessons. There is not a ski instructor alive who can help me. I should know - I've tried hundreds and they've all given up."

"In Bares they said 'you've got a good wide stance'; in Val d'Isère they said 'you don't really need poles'; in Davos it was 'perhaps you are happiest doing it your own way'; Soldau was 'we'll wait at the lift - you'll get there'."

"And at Alphach, they said 'Nightingale (this was the closest the instructor could get to Nigel), where are you going?'"

Fishing/Tom Fort

Back door to a place in history

History plays a curious trick on some of its distinguished men. They slave away on behalf of monarch and country, doing the donkey work. They earn the gratitude of the great men, respectful notices in the newspapers, and footnotes - if that - in the history books.

Occasionally, very occasionally, they manage to give drudgery the slip. The trick is that, long after the mountains of paper they have shifted in the name of duty have been forgotten, it is the fruits of the few, precious hours of innocent pleasure-seeking which give them lasting renown.

One such was John Buchan, who worked himself near to death as lawyer, politician, and Governor-General of Canada and whose reputation as a serious writer was built on his biographies of men such as Montrose and Caesar.

Yet he lives today as the creator of the adventures of Hannay, Leithen, McCunn and the rest - romances dashed off with as much serious intent as you or I might devote to a spot of gardening.

Grey of Fallowden was in the same mould. Earnest students of British history of the early 20th century will know him as a tireless, conscientious and ultimately not very effective foreign secretary.

But his memory is dear to a host who know nothing of his exertions to maintain the balance of power in Europe but who love his classic celebration of escapism, fly fishing.

Fishing, I need hardly say, is the link between Grey of Fallowden, Buchan (who did not write so much of it as he should), and my subject today, John Weller Hills. For it is the fugitive sport, par excellence.

If life or labour become too much, or the temptation of a gorgeous summer's evening too great to resist, the moment can be stolen at once. Appointments can be put off, clients deflected, the telephone ignored, papers pushed to one side, spouses appeased, children bribed.

A wave and a cheery word to one and all, the tackle is seized, the river reached, the strides through the meadow grass lengthened, until that corner by the willows reveals itself.

And, by God, a two pounder is nipping on the gravel! For these men - Buchan, Grey, Hills - such escapes were a good deal rarer than they are for me, possibly because they had a stronger notion of duty.

Of the three, I would guess that Hills did much the most fishing. Incontestably, he is one of the great angling writers of the century and I only hope this is some consolation for the fact that his political career is now utterly forgotten.

Yet in his day he was a coming man. He became an MP in 1906, and after most gallant service in the Great War, was chosen by Bonar Law to be Chief Secretary to the Treasury in 1922.

This should have been the first step towards remarkable things. But Hills lost his seat, and by the time he got one back, his hour had passed. Useful, loyal, industrious, an abso-

lute brick on a multitude of committees, he remained on the backbenches until his death in 1938.

We who care more for our libraries than for obscure legislation should be grateful that the promise was not fulfilled. Had Hills ascended the ministerial ladder, he would doubtless have fished much less, written much less, and worn his mind out on his dispatch boxes.

As it is, he wrote one absolute classic, *A Summer on the Test*, and a crop of other first-rate books, among them *A History of Fly Fishing for Trout*, which is about to be republished by the Fly Fisher's Classic Library (Dartmoor View, Mary Street, Bovey Tracey, Devon TQ13 9HQ, tel: 0626-835714).

For anyone who regards fly fishing as something more than a means of hastening a trout's journey from water to freezer, this is simply one of the indispensable books. On the front of the first edition, published in 1921, is an apho-

It is wonderful that so much ingenuity should have been lavished on things that really do not matter

rism of the 18th century Duc de Choiseul - "La Pêche est ma folie".

Whether you translate the last word as folly, obsession or harmless madness, the whole subject is, of course, utterly trivial. But to me, it is wonderful that so much of mankind's ingenuity should have been lavished on things that really do not matter in the least - such as persuading a trout to seize a whispy creation whisked up from feather, fur and silk.

For Hills, the whole story is a progress towards the invention and embracing of the dry fly.

But he shows his greatness in his appreciation of those who signposted the way, and his refusal to join the dry fly bigots. A dry fly man through and through, he was, nevertheless, open-minded enough to recognise and properly value the brilliant perceptions of G.M. Skues into the sub-surface world.

It would be going too far to say that Hills' book, now three quarters of a century old, is the last word. There have been other valuable histories since.

But I do say that his is the essential one, and there is no educated or sensitive fly fisher whose understanding and affection for the sport will not be enriched by reading it.

■ My last column, about salmon fishing on the Tay in Scotland, omitted to say that my trip was organised by Bob Brownless, whose company, Bobsport, can be contacted at 9 Craigleith Hill Crescent, Edinburgh EH4 2LA, tel and fax: 031-352 6607.

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Bill Johnson

(Above) Olympic downhill champion, 1964. Now ski ambassador at Crested Butte, Colorado

■ One of the most important

سكيا من الاجمل

The most important message the Holocaust must leave to posterity, writes **Rabbi Jonathan Sacks**, is 'never again'

■ **Rabbi Dr Jonathan Sacks is Chief Rabbi of the United Hebrew Congregations of the Commonwealth.**

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BOOKS

A market impossible to tame

Philip Coggan explains why foreign exchange traders are the politicians' favourite bogeymen

Foreign exchange markets are the gorilla in the nightmares of finance ministers. Some hapless government is ambled along the path to monetary union, or economic nirvana, and wallops - a burst of speculation, and the dazed minister is knocked off his feet and nursing a sore head, while his attacker disappears back into the bushes.

Given that currencies tend to be symbols of national pride, the damage done by foreign exchange traders makes them a favourite bogeyman of politicians. In the 1960s, Harold Wilson blamed the "gnomes of Zurich" for the pound's troubles; in the 1990s, the French cited "Anglo-Saxon speculators" for the franc's woes.

Referring to the 1992-93 crisis in

the Exchange Rate Mechanism, he talks of the social disruption caused when European countries with high unemployment rates tied their economic policies to Germany, where the Bundesbank was using high interest rates to counter the inflationary effect of reunification. By causing the breakdown of the ERM, he writes, "the speculators in effect sided with the populace against the politicians."

**1000 BILLION A DAY:
INSIDE THE FOREIGN
EXCHANGE MARKETS**
by John Roberts
HarperCollins £6.99, 270 pages

myriad participants in the markets - bank dealers, corporate treasurers, brokers, pension funds - Roberts certainly illustrates that "conspiracies" to undermine partic-

ular currencies are unlikely. He says that "there is no evidence to suggest that speculation or the greater volume of dealing generally have made exchange rates more volatile."

But the idea that the markets are simply the instruments of cold reality is difficult to sustain. There have been many occasions when currencies, such as the dollar, have fluctuated so violently that it is impossible to believe that their

value is being influenced by any economic fundamentals. In such circumstances, politicians can hardly be blamed for considering ways of restricting the freedom of the markets. But the gorilla will eventually break free of its cage, as the ERM crisis showed.

Foreign exchange intervention - the equivalent of offering the gorilla a banana to go away - does not work either. The world's central banks simply do not have

enough reserves to be sure of defeating the markets. Roberts draws the reasonable conclusion that, in the circumstances, it might be best if some of those reserves were invested more productively.

The lay reader can learn a lot about the markets from this book - although the first chapter is a little confusing. But it is a pity that, unlike *Liar's Poker*, Michael Lewis's book about life as a bond salesman, there is not much fun in this tome. In real life, foreign exchange traders can be colourful individuals. One anecdote slips through. Dave the broker does a realistic impression of Allied bombers over the telephone; apparently the German clients love it.

Songs for the new consumer

The story of pop, which began so joyfully, is now dehumanised by technology. Nick Groom reports

The Rise and Fall of Popular Music is an epic work of reference and polemic. Donald Clarke traces western popular music from the ninth century to the 1990s. He focuses mainly on the experience of the past hundred years: the golden age of jazz, Broadway, big band, swing, and rock'n'roll. It is an absorbing, ludicrously informative, and strangely moving account. And it is full of fascinating things.

Clarke recounts the invention of tap-dancing, and refers to the critic on the *New York Herald* who lamented in 1932 that the refrain of "Ta-ra-ra-boom-de-ay" had become "a hideous nightmare"; he also tells us the enchanting nugget that W.C. Fields began his performing career

**THE RISE AND FALL OF
POPULAR MUSIC**
by Donald Clarke
Viking £22.50, 615 pages

as a juggler, and includes the news that current research on the Delta bluesman Robert Johnson cannot yet be published as his killer is still alive.

We also learn that Frank Sinatra recorded one of the first concept albums, that the Shangri-Las' melodramatic death song "Leader of the Pack" was answered by the Detergents' "Leader of the Laundrymat", and we are invited to marvel at Bruce Springsteen's imbecilic remark, "Chuck (Berry) played in a lot of strange keys, like B-flat and E-flat."

Clarke's thesis is that popular music has ceased to be something that we do and enjoy and has become something that we consume. He is interested in the effect of mass markets upon popular music. Early on he emphasises the trans-Atlantic dissemination of John Philip Sousa's 17th-century English *Dancing Master* and the profit-maximising schemes of 18th-century printers of broadside ballad. He argues that these commercial values determined popular

music at street level, and thereby structured the culture of the people. Ragtime croon-shouters stopped shouting when they found that microphones enabled them to croon with intimacy. The gramophone format dictated the length of Broadway songs - they usually lost their introductions. Jukeboxes playing the same hits over and over again inspired record company policy-makers to restrict radio play-lists to the "hit parade". Phil Spector's "wall of sound" trademark was overproduction designed to sound good on transistors and car radios.

This is why Clarke bemoans recent popular music. "The pop charts of the last two decades have been dominated by the toys of technology and the sound of money talking". Clarke's attack on post-Beatles pop is bracing: "the twangy synthesizers and thumping machines all have one thing in common: they do not and cannot swing".

Swing is what it is all about. For Clarke, Duke Ellington and the swing era represents "a highwater mark in the quality of popular music". Popular music began to swing in the 19th century, but it really got into the groove with jazz. *The Rise and Fall of Popular Music* is a glorious celebration of the jazz greats, and Clarke writes about them in a neat, tersely droll style: he swings too. He has a wealth of information at his fingertips, and inevitably the book sometimes reads like a chronological version of his earlier *Encyclopaedia of Popular Music* - a pell-mell fury of names, dates, line-ups, songs, gigs, and hits - there are even some major omissions, such as the music hall tradition and popular hymnals. But it is quite a performance nevertheless.

With the advent of rock'n'roll music shifts to a minor key. Rock'n'roll lacked any cultural values to guide it, and when The Beatles arrived, the popular music scene stalled. The Beatles inspired only imitators - and have effectively done so ever since. Style triumphed over substance.



"One good thing about music, when it hits, you feel no pain...". The opening line of Bob Marley's concert at the London Lyceum 20 years ago heralded an explosion of interest in reggae and Rastafarianism. "Everyone who was there decided they were a Rasta, and the whole movement just spread," recalled one observer. From *Bob Marley: Songs of Freedom* by Adrian Boot and Chris Salewicz (Bloomsbury, £25), which marks the 50th anniversary of the birth of the singer, who died in 1981.

Clarke still holds out some hope that, as in the past, a moribund music scene will be rescued by the Afro-Americans. But this argument fails to explain the recent troubles - some trends - the pomp of the 1970s and the pose of the 1980s. Where were the Afro-Americans when the white boys needed them? Clarke cannot find anything salutary in

disco, (which is hardly a surprise), or even in reggae (Bob Marley receives only the briefest of treatments). Instead, rap is the great white hope. And yet it is such a vilely misogynist, anti-Semitic, and stupidly violent concoction that Clarke (wisely) does not back this one either, and the book ends on an imperfect cadence.

This is a work of enthusiasm and bitter passion. The story of popular music, that began so joyfully as a celebration of the human dynamics of swing, ends as an industrial tragedy of technological dehumanisation. Donald Clarke forces us to face the bleak prospect that our songs are being denied us; he forces us to face the music.

may jib at a phrase - "paid military lackeys of the monarchy" smacks of Marxist diatribe - but the narrative is quick-footed, with inset commentaries on certain pages which focus upon significant figures or events, from Blanche de Castille and The Black Death to "the Hausmanisation of Paris" and the "politics of cultural grandeur" with the Arche de la Defense in Paris.

A lively introduction to its subject - that country where Masarin observed "anything may happen" - the volume is well and generously illustrated, with a preponderance of colour images, and notably well designed.

Clement Crisp

Propaganda and the case for paranoia

A.C. Grayling on a classic conspiracy theory involving subversion and betrayal

Will Munzenberg's body was found in a French wood in 1940, slumped at the foot of a tree with a rope around his neck. He had been dead for some months. Did he commit suicide, or had Stalin's terror machine dealt with him as with so many of its former servants, one of whom he had been?

As a classic example of a conspiracy theory, Stephen Koch's account of Will Munzenberg and the Soviet propaganda machine of the 1920s and 30s is hard to beat. There is a riveting story here: Moscow worked hard to gain friends and influence people in the west, in particular by enlisting intellectuals. Will Munzenberg was a central figure in this endeavour. Using Munzenberg's story, Koch weaves a tale of massive Soviet-inspired betrayal by western intellectuals. And he makes an extraordinary claim about covert Soviet-Nazi cooperation.

Conspiracy theories are more often prompted by our human inclination to paranoia than by the facts of history. But they are true just often enough to keep our paranoia alive. In evaluating conspiracy theories we have the added difficulty that truth is often far more bizarre than fiction, so that even their surrealism is not an immediate ground for rejecting them. Koch's account severely tests this principle.

Munzenberg was a German communist who had been a successful publisher and a Reichstag MP before Hitler's rise. He was a member of Lenin's inner circle even before 1917, taking a part in the preparations of the exiled Russian leaders. From the earliest days he played a leading role in the Communist International or Comintern, a "cultural" body founded by Lenin in 1919 as a machine to propagandise the world beyond the Soviet Union's borders. One major task of the Comintern was to attach the support of educated opinion in the west. As Koch argues, it was also an excellent cover for spying, subversion, and the recruitment of agents.

In his Comintern work, Munzenberg was involved in many activities. The Left Book Club and the League Against Imperialism in Britain, the publishing house Editions du Carrefour in Paris, and the New Playwrights' Theatre in New York, are just a few of the organisations claimed by Koch as Comintern fronts. And he attributes to Munzenberg's far-reaching web of activity the recruitment of the Cambridge spies, the Peace Movement, the Sacco-Vanzetti case in America, and very much besides.

Munzenberg's chief work came after Nazism's triumph in Germany. He based himself in Paris to organise the Popular Front, the international anti-fascist movement which mobilised opinion against Hitler and Mussolini, keeping the prospect of resistance alive despite appeasement. The Front's first experience of action was against Franco. As its leading light Munzenberg attained celebrity; to some he was a hero.

A history of these events would make enthralling reading. But

Koch's account is not simply historical. His eye begins to roll in the very first pages of the book, and by the time Reds have been discovered not merely under the bed but in it, and in the bathroom and the pantry, the potting-shed and the boot of the car, it is revolving wildly. For it seems that almost everyone - Ernest Hemingway, John Dos Passos, Dashiell Hammett, Andre Gide, Lytton Strachey; any left-leaning intellectual's name will do - and almost everywhere - Cambridge, Bloomsbury, Hollywood, Broadway, Washington - was somehow connected with or sympathetic to or penetrated by the Munzenberg web.

The most dramatic claim in Koch's book is that Munzenberg's Popular Front against fascism was in fact a cover for secret Soviet-Nazi cooperation. During the mid-1930s, Koch writes, the two totalitarian states under the cover of their mutual hatred were negotiating

toward an alliance in order to position themselves for the war to come. As the anti-fascist war of words took shape, the two secret services used that struggle to supply each other with disinformation against each other's domestic enemies. Thus, Stalin used the Gestapo to destroy Tuchachevsky and the Red Army general staff, and Hitler used the Comintern and the Munzenberg operation to destroy Ernst Rohm and the Stormtroopers.

Koch's overall purpose is to assert that the variety of left-inclined people and organisations outside the Soviet Union during the interwar years were either controlled or influenced by Will Munzenberg, and that Munzenberg was directly controlled by Moscow. This indicates a large slice of the west's intellectuals as traitors in fact or spirit, and provides a defence of the McCarthyism which followed later. There is of course no question that those who failed to see Stalinism's evil (better concealed, at the time, than Hitlerism's evil) were profoundly deluded. But without question, at least many on the left in the 1930s were there from conviction and not because of the supposed Svengali-like skills of Munzenberg. As with the Stalin-Hitler conspiracy thesis, Koch's claim overtaxes credence.

In Koch's world, as in old-style cowboy films, the bad guys wear black hats and the good guys wear white hats. The white hats were as busy propagandising, and securing agents of influence, and encouraging intellectuals to dissent, as were the black hats. The fact that the white hats have happily won should suggest to Koch that the time is ripe for a more detached evaluation of the great ideological battle of the 20th century. But it is as if Koch were still fighting that battle in his 1930s shape.

ATHENA
by John Banville
Secker & Warburg £15.99,
233 pages

Hikes to be blindfolded and beaten.

A's sexual predilections simultaneously appal and fascinate Morrow - after all he is a woman-murderer, a sort of ersatz Bluebeard. But he is also smitten by her. A is the first woman in a very long time (or possibly even ever) to bring grace and love into Morrow's hitherto loveless life.

Banville uses sexual activity in *Athena* as a way of understanding and explaining character and he is never in any sense titillating, by the novel's end we understand how A's tastes are rooted in her autobiography. Simonon was similarly adept when it came to using sex as a key to unlocking character.

But the Belgian writer was noted for a terseness which was almost telegraphic; Banville, in contrast, is word-rich; page after page after page, he describes the physical world as seen by Morrow with breathtaking, heart stopping fluency. *Athena* in this respect is very much a work of high art; however, because the mystery surrounding Morrow's employer is never lost sight of, *Athena* also provides those pleasures which I associate with popular fiction. It is hard to serve two masters, but Banville has managed the task magnificently; the result is a tour-de-force, a novel which holds onto its art while managing to be enormously enjoyable.

France in a nutshell

Professor Colin Jones prefaces his *Cambridge History of France* thus: "My aim has been to provide an accessible account that is more than a chronicle of the political history of the social and governmental elite that gives economic, social, and cultural history their due; that respects the regional as well as the national framework; and that gives full weight to questions of gender, class and race."

A general history on these lines is a daunting prospect, for author as well as reader, not least with the perspectives opened up by Professor Jones's citing of gender, class and race. (These are passports for the political correctness gang in their

revisions of the past. What do such pundits make of the Chevalier d'Eon, that transvestite leaser, improbably pictured here in Masonic drag?)

It is to Professor Jones's credit that he achieves what he has set out to do with such clarity and distinction. Here is, indeed, a popular (and admirably, copiously illustrated) history of France, from the Lascaux cave paintings to the Channel Tunnel, which is both scholarly and accessible.

Any study on so large a scale

**THE CAMBRIDGE
ILLUSTRATED HISTORY
OF FRANCE**
by Colin Jones
Cambridge University Press £22.95,
352 pages

must be an exercise in omission and elision. What Professor Jones does, and with flair, is to bring together the varied matters of political, social and economic life in a period and provide a cogent summary of

their implications. So, writing about the absolutism of Richelieu and Louis XIV, he makes a succinct analysis of the administrative and military considerations which it obtained, and also relates it to social and family morals. His treatment in a single chapter of the Middle Ages is a bold panorama which takes in economic growth and the shaping of the French language, enlivened by such comment as "many towns started life as the poodle of the local feudal lord".

There are moments when one

Crimes of the Kennedy years

André Gide said that Dashiell Hammett's 1939 *Red Harvest* was: "The last word in atrocity, cynicism and horror". Times change. These days, Hammett is the epitome of good taste, while Gide-like comments are regularly thrown at James Ellroy, the demon dog of crime fiction, known for his nightmarish journeys into the sleaze-ridden, violent world of post-war Los Angeles. Like Hammett's eye-of-depression novel, *American Tabloid* investigates a particular era of political greed and corruption. However, Ellroy, writing about the crimes of the Kennedy years, dispenses with the ubiquitous detective as the investigator who pushes the narrative to a secure conclusion and replaces the customary first-person crime format with a shifting perspective and high-octane reportage.

Exploring "the private world of public policy," *American Tabloid* is the initial volume in the author's *Underworld USA* trilogy. With JFK the "mythological front man in a particularly juicy slice of history," the novel begins on November 22, 1963, as Howard Hughes, ensconced in his hotel room, injects cocaine while watching Castro's bearded army on TV. The novel ends five years and a lifetime later, as JFK motorcades towards Dealey Plaza. In between, Ellroy reconstructs events, using the embellishments of fiction to flush out fact and rumour. Yet *American Tabloid* is as obsessively private as it is scandalously public; five months before the date of the opening chapter, Ellroy's own mother was brutally murdered, her body dumped 15 miles from Hughes's hotel.

Ellroy clearly considers that history is motivated by testosterone, psychosis, and

AMERICAN TABLOID
by James Ellroy
Century £15.99, 585 pages

the desire for wealth and power. *American Tabloid* follows the demise of Camelot through internecine relationships involving Hughes, Hoffa, Jack Ruby, J. Edgar Hoover, and crime bosses Giancana and Marcello. With heroin, sex and extortion the prime bargaining chips, at stake are the Teamsters pension fund, control of Cuban casinos and evidence implicating Joseph Kennedy. The CIA, Mob and extreme right unite to create an "assassination metaphysics" and numerous plots to kill the president. Ellroy (leaving Oswald for his next volume)

deploys three corrupt fictional players: ex-cop, drug-procurer and extortionist Pete Bonduant; FBI agent Kemper Boyd, who pimps for the president while organising Cuban exiles for the CIA; and lawyer and ex-FBI agent Ward Littell, who summarises their conspiracy - "we'll present them with an explanation, and the powers that be will prefer it to the truth, even though they know better."

With a thin line separating tabloid hack and historian, Ellroy's characters are secondary to the events that engulf them. They can only watch what their betrayals, manipulations and mistakes have set in motion. Ellroy avoids the cultural excursions and intellectual excesses that marred Stone's *JFK* and DeLillo's *Underworld*. Here everyone is guilty, and the narrative web is all-consuming. When it comes to style and investigative procedure, Ellroy might be the most innovative crime writer since Hammett.

Woody Haut

High art, sex and murder

John Banville's new novel *Athena* continues the narrative started with *The Book of Evidence* and continued with *Ghost*.

The narrator - as before - is Morrow, art lover, art historian, art connoisseur and sometime murderer. Now living under a new name in a city which bears some resemblance to Dublin, he is engaged by the shady businessman Morden to authenticate the provenance on a cache of pictures which may have been stolen from Whitewater House, home to the Behrens collection. This of course was the scene of Morrow's crime in *The Book of Evidence* (when he went by the name of Montgomery); it was during a bungled attempt to steal a painting from this same house that he bludgeoned the

maid to death as described in that book.

There is obviously a reason in the mind of Morrow's employer for embroiling him with paintings which are connected to the darkest part of his life. But what is it? The mystery - which has a Simenon-like simplicity and strength - provides the motor to this extraordinary book. It keeps us reading; it keeps us turning the pages; we have to know what Morrow's new employer is up to.

Having hooked us, Banville is then free to concentrate on what really interests him - which is Morrow's description-confession of his painful and excruciating love affair with A, a young woman who lives in the house where the paintings are stored, an exhibitionist and a masochist who

صلى الله عليه وسلم

ARTS

Drawn to the erotic

William Packer defends and celebrates the work of Egon Schiele

Egon Schiele was born at Tulln, a small town on the Danube near Vienna, in the summer of 1890, into a family of the petit-bourgeoisie - his father was the station-master. At 28, in the autumn of 1918, the artist died in the pan-epidemic of Spanish influenza that in a few short months proved more lethal than the Great War itself. His wife, pregnant with their first child, died a few days before him. Here again, so it would seem, we have the image of the artist as tragic victim, shades of Modigliani and Van Gogh, unrecognised genius cut off before his time.

But the story is not quite that simple. Schiele certainly had his troubles, especially in his earlier years. His neighbours were scandalised by the apparent irregularity of his life and the overtly sexual nature of so much of his work. Indeed, he was once held in prison for several weeks, unjustly accused of corrupting the young girls whom he drew so often. But his tragedy is all the more poignant, perhaps, for the fact that in contrast to Van Gogh, whom he matches almost exactly in the shortness of his career, or Modigliani, who was carried off in the same epidemic, in his last year he had begun to enjoy wide official recognition for his work.

He was subsequently all but forgotten, but for the loyal discrimination of a few collectors, and the general revival of his reputation is fairly recent history. And it must be said that much of that early controversy does his reputation still; the charge of graphic and explicit sexuality amounting almost to pornography is hard to shake off, at least in this country. Here, admiration is all very well, but it is still difficult to admit to any enthusiastic liking for Schiele without the odd eyebrow rising skywards. There is hardly anything of his in public hands. The Tate has nothing, though not by now, I imagine, for want of wanting. Four years ago the Royal Academy could find no British sponsor for a splendid show of Schiele and his contemporaries.

The charge must be addressed, for it is inescapable. Skirts raised, stockings rolled down, legs akimbo, hands caressing, figures entwined, the challenging stare of the model herself as her sexual parts are so frankly exposed - all is readily and understandably shocking. But pornography? The answer has to be no, and a resounding no at that. For where there is no sentimentality and its concomitant engagement of fantasy and

wishful thinking, there can be no pornography. What is real may well be erotic, which is something else entirely, but never pornographic. It is the reality that Schiele confronts in his work, most especially in his drawings, that is at once so disarming and so shocking.

His facility is breathtaking, the speed of the line, the deft turn and flick of the contour to describe the form and spring and life of the figure. And the colour is rich and decorative, the silhouette strong and clear, the design simple, a young girl's brightly striped skirt spread around her bare bottom like a sunburst. All betray the graphic influence of Gustav Klimt and the Vienna Secession of the 1900s, by which examples the young Schiele, no more than 18 and still a student, first came to his true expressionist identity as an artist. In thus coming to himself, he became in a moment entirely his own man.

He had not been outstanding as a child and the rapidity of his development, so well demonstrated in a run of his student work, is astonishing. The case for proper early technical study could hardly be better made. The very first painting of all, a close portrait head of a young woman in black of 1907, is as lovely as anything to the whole show.

We are back to reality, to the observed reality of the figure, the model, the particular woman who presents herself just there, in front of the artist, in that self-same room and space. There she is to the life, for all his tricks and devices whereby the image becomes art - the rapid descriptive slip of the paint, the graphic exaggeration of the image, the patterned, abstracted fall of dress or skirt. And there we stand as it were at his shoulder, as his hand flicks across the page, and we marvel.

Leonard Csanadja and the curator of this show, Serge Sabarsky, have put together a remarkable exhibition of drawings and paintings from collections around the world, both private and public, to take us from Schiele the student of 1907 to the artist in his final months and at the height of his powers. It celebrates what now stands, a full lifetime later, as the achievement of one of the greatest artists of the century.

Egon Schiele: Fondation Pierre Gianadda, Martigny, Switzerland, until May 14.



Shocking and disarming but never pornographic: 'Seated Nude': a drawing of his wife by Egon Schiele

Radio/Martin Hoyle Built to destruct

Some years ago I had the culturally eye-opening experience of escorting a party of Italian architects around Britain's new towns. Palladio's heirs were ecstatic at the beauty of Centre Point, that shameless white elephant of speculation rearing over central London like a mockingly up-thrust finger. Brunelleschi's descendants were lost in admiration for the hold vision of old town centres bulldozed to construct multi-storey car parks.

It also became plain that new projects look unrecognisably better in models or sketches than in grubby reality. None more so than the imaginative Byker Wall development in Newcastle the contrast between the improbably hinc skies glorifying the prize-winning designs and lowering everyday greyness transformed the character of the enterprise on its journey from drawing-board to Tyneside.

The implication was that architects are no judges of reality. A further tip - Italians are likely to get things hopelessly wrong in a foreign context - has been borne out over the years by such names as Palumbo. I was alerted to the double menace by last Sunday's interview on Radio 4 with this year's Reith lecturer, the architect Richard Rogers.

The interviewer Alan Yentob drooled in adulation of the contribution Anglo-Italian parentage and citizenship of Florence must make in some presumably mystic way to designing buildings for latitudes further north. "Your mother is still a woman of fantastic taste and judgment," he gurgled. Perhaps the venerable signora should take a hand with the building blocks.

Despite the programme's overriding philosophy that nobody is better qualified than the architect to use his imagination about urban problems, the modest and enthusiastic Rogers failed to correct our image of the profession as an authoritarian brotherhood with a vested interest in keeping its mysteries intact the better to slap down ignorance, impertinence and heresy in the mob - who of course is not the best judge of what is best

for it. The image of the medieval church lingers.

That said, Rogers is obviously a good egg. He inveighs against the right things - the car, out-of-town shopping centres, the fragmenting city and concomitant ghettos. Possessed of a "passionate belief in the past and a dynamic belief in the future", he balances a fascination with technology by praise for the 1946 Green Belt concept as "stunning visionary thinking".

Given that 50 per cent of mankind lives in cities (at the beginning of the century it was one per cent), he is patently right to urge action against the planet-destroying wastefulness of the ten-year life-cycle of the modern building. Better to spend 15 per cent more, he says, to make a building last a hundred years.

There lies the irony. Who in Rogers' profession gives a damn about an old building? Rogers himself praised the Georgian and Victorian as forward-looking, moving ahead, irrespective of the fact that they were recycling the past - Adam, Nash, Victorian Gothic/Venetian/cathédon on the Loire. Anyone who tries that today is abused as a wimp.

From Warsaw to the relatively modest old town of Ronen the inhabitants have reconstructed their environment precisely as known, loved and communally identifiable, not as grade A monuments. Dare try that in this country. It is automatically assumed that Britain has no cultural baby to throw out with the kitschy bath-water. The sad thing is that this may now be true.

This year's speaker will doubtless make the right noises in the Reith lectures that start tomorrow. He needs to, seeing what his profession has achieved in the destruction of Britain's urban environment in the last few years alone, culminating in London's distinction as Europe's ugliest capital.

Rogers complains bitterly that his native Florence has become a museum. So someone among the Italian authorities knows what they're doing.

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Coming within days of the death of John Halas, moving spirit behind so much of the innovation in British film animation over the last 50 years, it was good to see *Carmen* opening a BBC2 season called *Operavox* last night.

This is a series of six operas - the others are *The Magic Flute*, *Rigoletto*, *Rhinegold*, *The Barber of Seville* and *Turandot* - animated in different styles by different companies, but each slimmed down to 30 minutes. For lovers of animation it is, if not a feast, a fascinating smorgasbord. Lovers of opera may feel more uneasy, but then they are clearly not the target audience. These programmes are being shown at 7.30 and the stated intention is to "bring culture to family audiences in an entertaining, easily-assimilated format".

This fashion for making things easy (*Operavox* could be seen as the respectable end of the "dumbing down" process which is spreading throughout television) is, surely, questionable. Among the things we most enjoy are those at which we work hardest. One of the attractions of grand opera is the onlooker: you have to put in some effort before you really begin to appreciate it.

Cutting works such as *Carmen* and *Turandot* to half an hour means that they sound rather like *Your Hundred Best Tunes*, and the plots of *Rigoletto* and *Rhinegold* are inevitably over simplified. However, just as television must be entitled to produce modern, edited, versions of Shakespeare (this opera series was preceded by *Shakespeare: The Animated Tales*) without being accused

Television/Christopher Dunkley Animated opera for easy assimilation

by the cognoscenti of somehow damaging the originals, so too with famous operas. We should consider these animated films in their own right.

Naturally enough they vary, not least because of their different styles and techniques, which include puppetry, cel animation and videographics. Given the frequency with which we are told these days - admittedly chiefly by the British - that British animation is now the best in the world, it may seem a little perverse to conclude that the two best productions here are *The Barber of Seville* and *The Magic Flute* which were both made by Christmas Films of Moscow.

Yet that is how it seems to me. *Barber* uses puppets and *Flute* the familiar cel technique seen, for example, in Disney films. The first is directed by Natasha Dabizha and the second by Valeri Ugarov, but both gain from a light touch. True, these are the two works closest to comedy, but it is not only a sense of humour from which they benefit. They also seem more inventive.

Technically *Carmen* is the most up to date, using the sort of videographics which most viewers may have seen only in commercials such as those for P & O Ferries and the Post Office. "Electronic painting" is used over live action to lay down brilliant block colour while retaining film accuracy

in such details as the faces. The outcome is a work which is more striking visually than aurally.

Like the Shakespeare, this series originates with Channel 4 Wales and the music for all six cartoons is performed by the Welsh National Opera, singing in English. I would have preferred original versions and sub-titles, but no doubt that would not be seen as "easily assimilated". More important, the sound system on 99 per cent of television sets is too cheap and primitive to give a proper idea of the high quality signal put out by the transmitters. Consequently in these films, as in so many programmes, the sound is inferior

to the pictures.

The series has all sorts of pleasures to offer. In a suitably dark and sinister *Rigoletto* next week the puppet in the title role looks remarkably like Charles Laughton playing Quasimodo. *Rhinegold*, which follows, brings the Super Heroes of DC Comics to Wagner. Freia is a super curvaceous brunette in a black bikini. In *Turandot* the human figures are created in the style of American television cartoons, but the backgrounds are straight out of Hokusai. *The Magic Flute*, which looks as though it could have been designed by Eek, is the best of the lot. Watching it you suddenly remember the hysterical inventiveness of people such as Tex Avery in Hollywood and John Halas in Europe during the middle years of this century - and you wonder why there is not more of this visual ingenuity in the other films.

Ironically those able to get most from this series will be those already deeply familiar with the operas. Yet they will also be the most disappointed.

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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

GALLERIES

Rijksmuseum Tel: (020) 673 21 21
 ■ Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period; to Feb 26 (Not Sun)
 ■ Marbled, Chintz and Brocade Paper: an exhibition of decorated paper manufactured in and imported to the Low Countries in the 17th Century; to Feb 12
 Stedelijk Tel: (020) 5732 911
 ■ Alfa Romeo: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo cars from the early part of this century to the most recent models; to Apr 2

OPERA/BALLET

Het Muziektheater Tel: (020) 551 89 22
 ■ Mazeppa: by Tchaikovsky. A Netherlands Opera production conducted by Harmut Haenchen and directed by Richard Jones; 7.30 pm; Feb 11, 12 (1.30 pm), 14

BERLIN

GALLERIES

Neue Nationalgalerie Tel: (030) 2662653
 ■ George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17

OPERA/BALLET

Deutsche Oper Tel: (030) 3 41 92 49
 ■ Das Rheingold: by Wagner. Conductor Horst Stein, production by Götz Friedrich; 7.30 pm; Feb 18
 ■ Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30 pm; Feb 18
 ■ Faust: by Gounod. Conducted by Lawrence Foster/Heinrich Hollreiser/Lift Kout, production by Jean-Pierre Ponnelle; 7 pm; Feb 15, 17
 ■ L'italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7 pm; Feb 11
 Staatsoper Unter den Linden Tel: (030) 2 00 4762
 ■ Elektra: by Strauss. Conducted by Daniel Barenboim; 7.30 pm; Feb 14
 ■ Fidelio: by Beethoven. Conducted by Daniel Barenboim; 7.30 pm; Feb 12

BOLOGNA

OPERA/BALLET

Teatro Comunale Tel: (051) 529999
 ■ Macbeth: opera in four parts by the Deutsche Oper Berlin. Music of Verdi; 8.30 pm; Feb 12 (8.30 pm), 14

BRUSSELS

OPERA/BALLET

De Munt/La Monnaie Tel: (02) 218 22 11
 ■ Il Trittico: by Puccini. A new production directed by Stein Winge, conducted by Antonio Pappano; 7 pm; Feb 11, 14, 16

COLOGNE

CONCERTS

Walfrid-Richartz Tel: (221) 221 2379
 ■ Maurice Denis: exhibition of works by the French painter associated with the Nabis group; to Apr 2

OPERA/BALLET

Oper der Stadt Tel: (221) 221 8400
 ■ The Turn of the Screw: music by Britten. Conducted by Stuart Bedford, produced by Michael Hampe. In English with German surtitles; 7.30 pm; Feb 11

FRANKFURT

CONCERTS

Alte Oper Tel: (069) 1340 400
 ■ Evening of Songs: soprano Dawn Upshaw and pianist Charles Spencer play Debussy, Copland, Seeger and Berg; 8 pm; Feb 13
 ■ Frankfurt Opera House and Museum Concerts: with pianist Elisabeth Leonskaia and conductor Vladimir Fedoseyev plays Dvořák, Britten and Tchaikovsky; 8 pm; Feb 12 (11 pm), 13

GALLERIES

Museum für Moderne Kunst Tel: (069) 212 304 47
 ■ Harald Pöhl/Michael Reiter: experimental work with modern materials; to Feb 24 (Not Sun)
 Schirn Kunsthalle Tel: (069) 29 98 82 11
 ■ Asger Jorn - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists; to Feb 12

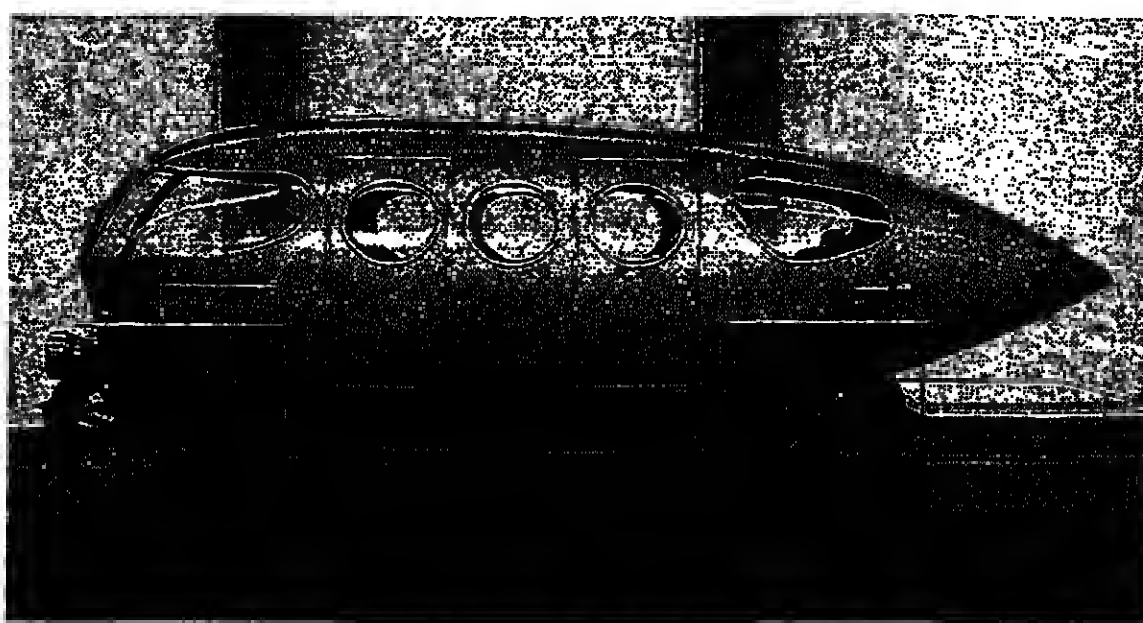
OPERA/BALLET

Oper Frankfurt Tel: (069) 23 60 81
 ■ As a Garden in this Setting: choreographed by William Forsythe, music by Thom Willems; 8 pm; Feb 13, 16
 ■ Oberon: by Weber. First showing at this venue with conductor Hans Zander and lead role played by Hubert Delamboy; 7.30 pm; Feb 15

LONDON

CONCERTS

Barbican Tel: (0171) 638 8891
 ■ Tippett: Visions of Paradise: Elgar Howarth conducts the London Sinfonietta to play Tippett; 7.30 pm;



An ALFA Aerodinamica, made in 1914, part of 'Alfa Romeo: The Essence of Beauty' is at the Stedelijk in Amsterdam until April 2

Feb 15, 17
 ■ Barbican Celebrity Recital Series: with soprano Felicity Lott, mezzo-soprano Ann Murray and pianist Graham Johnson; 7.30 pm; Feb 13
 ■ Tippett: Visions of Paradise: Sir Colin Davis conducts the London Symphony Orchestra to play Tippett's 'Triple Concerto' and Elgar; 7.30 pm; Feb 12

■ Valentine's Day Love Classics: Paul Wynne Griffiths conducts the London Concert Orchestra for an evening of great romantic classics; 7.30 pm; Feb 14
 Festival Hall Tel: (0171) 928 8800
 ■ Igor Stravinsky Plays Mendelssohn and Tchaikovsky: Simon Phipps conducts the English Chamber Orchestra and violinist Igor Stravinsky; 7.30 pm; Feb 11
 ■ Valentine's Day Concert: Philharmonia Orchestra and pianist Anya Alexeyev, Anthony Inglis conducts Tchaikovsky, Rachmaninov and Rimsky-Korsakov; 7.30 pm; Feb 14

Purcell Room Tel: (0171) 928 8800
 ■ A Tribute to Fats Waller: a Valentine's day musical celebration; 7.30 pm; Feb 14
 ■ Klezmer Swingers: a musical journey from Odessa to New York, from traditional Klezmer to Jazz; 7.30 pm; Feb 16
 ■ Viva Vivaldi: London Soloists Chamber Orchestra with violinist Peter Sheppard and oboist Helena Gaunt. David Josefowitz conducts a programme of eight famous concerti grossi for solo violin and oboe; 7.30 pm; Feb 12

Royal Academy Tel: (0171) 439 7438
 ■ Philharmonia Orchestra: Kurt Sanderling conducts Beethoven and Shostakovich; 7.30 pm; Feb 12

GALLERIES
 Barbican Tel: (0171) 638 8891
 ■ Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Renoir, Whistler; to May 7

British Museum Tel: (0171) 636 1555
 ■ Byzantium: treasures of Byzantine art and culture from British collections; to Apr 23 (Not Sun)
 Hayward Tel: (0171) 261 0127
 ■ Yves Klein: over 110 works conveying the full range of his output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; to Apr 23
 Museum of Installation Tel: (0171) 253 0802
 ■ Demot O'Brien: wonderful installation that attacks the senses. Air fresheners of various colours and scents are arranged on a wall to create sentences in braille; to Feb 11
 National Portrait Tel: (0171) 306 0055
 ■ Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12
 Photographers Gallery Tel: (0171) 831 1772
 ■ Photography from the Former Soviet Union: exhibition in both galleries of past and present Soviet photographers, including the work of Alexander Rodchenko; to Mar 18
 Royal Academy Tel: (0171) 439 7438
 ■ Poussin: over 50 works by the French artist. Centenary of the exhibition are the two series of the 'Seven Sacraments'; to Apr 9
 Serpentine Tel: (0171) 402 0343
 ■ Man Ray: exhibition of works by the celebrated artist; to Mar 12
 Tate Tel: (0171) 887 8000
 ■ Wilhelm de Kooning: a major exhibition featuring over seventy paintings drawn from private and public collections worldwide; from Feb 16 to May 7
 Victoria and Albert Tel: (0171) 938 8500
 ■ Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; to Mar 19

OPERA/BALLET
 English National Opera Tel: (0171) 632 6300
 ■ King Priam: a new production of Tippett's opera that opens the London Festival - Tippett: Visions of Paradise, to celebrate the composer's 90th birthday; 7.30 pm; Feb 11, 17
 ■ Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30 pm; Feb 16
 ■ Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 13, 15
 Royal Opera House Tel: (0171) 340 4000
 ■ Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schinsinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg; 8.30 pm; Feb 11, 15
 ■ Giselle: music by Adolphe Adam. A Royal Ballet production, choreographed by Marius Petipa after

John Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 14
 ■ La Bohème: by Puccini. Conducted by Simone Young/Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/Amanda Thane as Mimì and Maria McLaughlin/Judith Howarth as Musetta; 7.30 pm; Feb 18
 ■ The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten 'mini festival' at the Royal Opera; 7.30 pm; Feb 17

THEATRE
 Albany Tel: (0171) 876 1115
 ■ As You Like It: by Shakespeare. Declan Donnellan directs an all male cast that includes Adrian Lester and Richard Cant; 7.30 pm; (Not Sun)
 National, Cottesloe Tel: (0171) 928 2252
 ■ Dealer's Choice: written and directed by Patrick Marber, six men stay up late to play poker, and win at all costs; 7.30 pm; Feb 11 (2.30 pm), 17
 National, Lyttelton Tel: (0171) 928 2252
 ■ Broken Glass: a new play by Arthur Miller, directed by David Thacker; 7.30 pm; Feb 13, 14 (2.15pm)
 ■ Out of a House Walked a Man: by Danil Kharms. A Royal National Theatre and Theatre de Complicité co-production of a collection of musical scenes by the Russian absurdist writer; 7.30 pm; Feb 15, 18, 17
 ■ The Children's Hour: by Lillian Hellman, directed by Howard Davies; 7.30 pm; Feb 11 (2.15pm)
 National, Olivier Tel: (0171) 928 2252

■ The Merry Wives of Windsor: by Shakespeare. Tanya Hands directs his first production at the National. With Denis Quillay as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford; 7.15 pm; Feb 16, 17
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 Royal Court Tel: (0171) 730 1745/2254
 ■ The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester; 7.30pm; to Feb 18
 Shaftesbury Theatre Tel: (0171) 379 5389
 ■ The Three Lives of Lucie Cabrol: adapted from John Berger by Mark Wheatley and Simon McBurney, who also directs. Theatre de Complicité present this violent love story; 7.30pm; to Feb 25 (Not Sun)

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Peter Aspden

Give me a baguette instead of a headset

The recorded commentaries now provided in galleries are isolating visitors, instead of involving them in the art on show

There is something strangely unsettling about visiting an art gallery. It has something to do with the contrast between the stark emotion and dazzling technical bravura up there on the walls and the hordes of insipid spectators looking for a couple of hours to kill on a Sunday afternoon, "appreciating" in subdued and joyless reverence.

The disturbingly passionless atmosphere is perfectly realised to the opening scenes of Nicolas Roeg's psycho-dramatic masterpiece, *Bad Timing*, in which Art Garfunkel and Theresa Russell

wander round the Klimts in the centre of Vienna. "They look so in love," she remarks in front of one rich, erotic canvas, only to be cut dead by Garfunkel's sarcastic "That's because they don't know each other yet." It is a resonant evocation of the distance between the raw expression of the artist and the judgmental detachment of the observer.

All this could be about to change, however. The news that London's two premier galleries, the National and the Tate, are to use CD-Rom and micro-chip technology to provide portable commentaries for viewers promises to

herald a new era in art appreciation. They are not alone; in fact, other countries have already made steps along this road.

I visited Amsterdam's Rijksmuseum last week to see a beautiful little exhibition of medieval paintings on the theme of religious devotion. In the room containing the display - very dark to protect the paintings, or maybe just for the hell of it - about 90 per cent of the spectators wandered round in "interactive" headsets. It made them chillingly unaware of the people round them as they gazed at the exhibits with rapt attention, being given their potted histories

and biographies along the way. Needless to say, the amount of conversation between the visitors was minimal. All the talking was being done by machine; man just stood and soaked it up (why don't they ever call it an interpretative experience?). Typically, amid all this talk of technological advance and educational empowerment, we have contrived yet another way of driving the individual deeper into his or her own private space.

We will, say the defenders of the headsets, become immeasurably better informed on the works in front of us. I am not convinced: the thought of standing in front of,

say, *A Bigger Splash*, listening to David Hockney's ingenuously Bradford drawl incanting the delights of Californian swimming pools makes me want to, well, dive into one.

I have a shamelessly romantic view of art and artists. I love those biopic movies such as *Lust for Life* or *The Agony and the Ecstasy*, in which groups of bearded bohemians meet in cafes and say things like: "Ah, here comes Serrat - he is obsessed by little dots..." and "Oh, shut up, Degas, all you ever do is talk about your ballet dancers!" I love them to roar with laughter, dance on tables, take

countless lovers and lose parts of their face in arguments over brush-stroke technique.

I want to look at art made by people who rowed with popes, who lived in adulterous *ménages à quatre*, who took so many drugs it is a wonder they managed to produce anything at all. Give me a tormented soul, an anguished genius stripped naked on the canvas, and I will respond in kind. What I do not need are the plummy tones of an academician dispensing advice on what I should be noticing, nor the complacent "insights" provided by hideously wealthy artists telling me how

sunny it is on the other side of the globe right now. As the creeping silence of uniformity all around us begins to take over, it is more important than ever for art to make a stand for rebellion, for noise, for the good life.

Art galleries have got it wrong. What they should be providing is little wonky tables in the middle of the exhibition hall, with a baguette, a bottle of Beaujolais and a sketchpad to keep us company. Then we could shout and argue, and laugh at those who had the temerity to shut themselves off from our ribald world with a weedy pair of hi-tech headphones.

The great wedding paperchase

Mariana Schroeder found the path through bureaucracy to marriage is not a smooth one

I had been in Germany for less than a month when a headline in the tabloid press caught my eye. "Statistics show a woman over 40 is more likely to be shot by terrorists than to find a husband." I made a mental note to scratch the world's trouble spots from my travel itinerary.

Then I met Henning. He was strolling down Munich's most elegant street in an Armani suit, tall, blond and handsome. He had a touch of grey at the temples, a tennis tan and - wonder of wonders - he was just one court decree away from being single. If I had a bullet with my name on it, here was the man to save me from it.

The plots of romantic novels usually make my skin crawl, but in those first weeks after our meeting I began to live one. We picnicked in the park, rode bicycles through the Bavarian countryside and ate by candlelight on tables not nearly big enough for one person, never mind two.

Falling in love is something of a miracle when you have passed the age of disappointment. "It's the body that ages," said a friend. "The feeling stays the same."

The risks and possibility of failure are too obvious. All your friends are divorced or wished they were. Laughter lines have hardened into wrinkles and the voice of reason keeps shouting in your ear.

We did not get married in a lever. We skied, we fought, we loved, we debated until we were ready. He got down on his knees to ask me, I got down on mine to accept.

There were 30 people ahead of us in the queue to book a date at the register office, but love made light the hours of waiting.

The blonde behind the desk had long run out of smiles. Could I get some general information? Not until the forms were completed. "Come back when you have all the necessary documents."

"I don't have a birth certificate," I said in a meek voice.

"Get one." "That's impossible." I tried to explain that I had been born during the second world war of an American mother and an ethnic German father living in a

war zone, and had entered the US as a displaced person from a country that no longer existed.

"No birth certificate, no marriage."

Two days later I was on my way to Zagreb. I went to the Ministry of the Interior, the Department of Births and Records, the Department of Statistics - and the nearest bar. There was no evidence of my birth. But they would be able to issue a post-natal certificate of birth if I became a Croatian citizen.

"But I am an American."

"You can also be a Croatian."

"But I would lose my American citizenship."

"We won't tell the Americans."

"And if they find out?"

"Then you can live here. We are also a democracy."

I drove further east, past

Henning went to the register office alone because I was beginning to show homicidal tendencies

bombed-out houses and other scars of the recent war. According to my mother, I had been secretly baptised at the home of a relative to avoid the German authorities, who were then not too friendly to Americans in occupied territories.

Somewhere along that endless rutted road through East Slavonia I began reflecting on love, marriage and the absurdity of life. German bureaucracy was now forcing me to unravel the tangled web of relationships that had begun long before my birth.

I found the ruins of a town near the Hungarian border and a 32-year old relative, whose bright blue eyes still laughed. "I remember it like yesterday. They shot the priest - I don't know who it was - the Germans or the communists. Near the end of the war it was. I spent the whole night baking

cakes, but we couldn't throw a party because of the war."

"Your mother thought the Americans were coming and we laughed at her." She blew her nose in a threadbare handkerchief with my father's initials embroidered to the corner. Two days later I left with a copy of my baptismal certificate and a biscuit tin of faded photos.

It took another three months to get all the other required documents - university diplomas, income statements, divorce records, old marriage licences - all translated and certified at considerable expense. We got back in line at the register office.

"This is not a birth certificate," said a ruddy-faced man holding a pencil stub. I pointed out it was the best I could do. I would have a proper one had the Germans not detained my mother and prevented her from leaving Yugoslavia. He shrugged his shoulders and shoved our papers back across the desk.

The Croatian vice-consul in Munich was very understanding and promised to help, but the autumn wedding we had planned was obviously not going to happen.

In December the long-awaited document arrived: a stamped, certified, numbered birth certificate. It was a curious document in that it accorded me a new place of birth, Borovo, a wasteland that had changed hands in the war that preceded Bosnia. There were minor inconsistencies - but it was a birth certificate.

By our third trip to the *Standesamt* we had developed a new strategy. Be at the door by 7.30am, freeze for half an hour or so, then charge up the stairs to be the first in line. A large heavy-set woman checked the documents that had by now grown into a file the size of the London telephone directory.

Henning needed records from the two cities he had lived in before the age of six. And there was the question of the bride-to-be's citizenship.

"What question?" I asked, whipping out my navy blue passport. "A passport is not proof of citizenship. Your birth certificate proves that you were not born in America."

By the fourth visit we were back to the gentleman with the

pencil stubs. He sharpened one as we spoke. "There are several inconsistencies that we cannot overlook."

Henning helped me draft a sworn statement explaining that I was a citizen of the US and that I had been born in Zagreb-Borovo. We hoped they would not check the map and see that 400kms and a non-crossable, tank-enforced border stood between the two places.

Henning went alone to the fifth, sixth and seventh encounters because I was beginning to show homicidal tendencies.

The US Consulate was called in. The State Department was contacted. More certified translations and sworn statements were presented.

Months dragged on. Our winter wedding took on shades of spring. The coat I had bought gave way to a suit and a straw hat and we still had no date.

"The appeals court of Bavaria had to rule on my 'eligibility' to marry, a mere routine that cost another £120. My mother's maiden name was questioned,

my divorce decree was found to be "odd".

March slipped by and April dawned. "We'll sue," Henning declared calmly. "We'll take them to court. They have to marry us." I cried and cancelled our honeymoon for the third time.

Finally the paperchase that had begun to August ended. Henning and I were to be married on a balmy day in April. But just three days before the wedding, we received an urgent call from the *Standesamt*.

Although the man with the pencil stubs was satisfied that all our documents were in order, his superiors were not.

Could I swear that my mother did not know how to spell her maiden name?

I screamed, Henning negotiated. In the end I changed my place of birth and conceded that there were two possible spellings for my mother's maiden name.

Could my mother confirm this? Unfortunately, she was deceased. Did I have a death

certificate? Henning and I exchanged looks.

Until that point the man with the pencil stubs had been near the head of my private enemy list, second only to his enigmatic, unidentified "superior". But when he agreed to marry us despite the remain-

ing objections I almost kissed him. The ceremony took all of five minutes. The bride in front of me went into labour. The one behind me wore iridescent purple.

I said "Ja" instead of "I do". No one suggested Henning kiss the bride, but he did anyway.

The ceremony is even now a blur.

I showed my passport. I signed my name. Henning squeezed my hand.

A year has gone by. Terrorists don't bother me. It is the bureaucrats who give me nightmares.



As They Say in Europe / James Morgan

Just because we're paranoid...

The French and the British find themselves at opposite ends of the argument so often that their disputes seem a fact of life. Each suffers a paranoia which becomes unusually apparent in bilateral relations. Think of two sets of headlights blinding each other.

In the 1960s, I attended an Anglo-French encounter at Twickenham where there appeared an English banner recalling the French veto on Britain's entry into the common market. In those days, France often won rugby matches against England, today never.

Similarly, the French radio commentary on last week's game depicted it as a series of refereeing errors which reached a high point when the French fullback, Jean-Luc Sadourny, was taken off with a bleeding leg. The commentators were furious, but the

wound had been inflicted by his colleague, Abdel Benazzi, not by some English thug. For the uninitiated, England won the game with ease.

Meanwhile, the English papers rage about endless oppression from Brussels. British officials allegedly negotiate away the pound sterling while the government pretends opposition to a single currency. Europeans earn a trade surplus at our expense. Rules are designed solely to achieve the humiliation of England. Europe's "jealousy" will mean the end of London's red buses.

In Saturday's *Times*, another plot was revealed: an exhibition at the Royal Academy about an 18th century grandee, Lord Burlington, excludes any mention of his enemy, Hogarth. Hogarth was a true Brit patriot, Burlington slavishly followed continental fashion. It is true he knocked about with a number of sec-

ond-rate foreigners, but he also bequeathed us part of one of London's better thoroughfares, the facade of the Royal Academy itself and an eponymous arcade. By *The Times*, the structure of the exhibition meant "The Eurofanatics have won a triumph".

However pronounced French paranoia, there remains a still, small voice of sanity. French rugby writers are immune to the sour virus, even though they read *The Times*.

In *L'Equipe*, Pierre-Michel Bonnot told us that he had read an item in Saturday's edition headed "Do the English like animals better than their fellow humans?" He went on, "The answer was to be seen in the faces of the French forwards, marked in their flesh and *amour-propre* in the aftermath of a defeat which was, however, less 'beastly' than the preceding seven."

"Yes, the English do like animals better than their fel-

lows in the Five Nations tournament. They love... those eight beasts who make up their pack of iron. As for us, we don't at all like those French horses who, to the limited interests of vague local clubs, send the best of French rugby in rough conditions to the abattoir."

Le Figaro's Renaud Matignon was among the French who took the train to London for the first time. Their sense of impending doom preceded their arrival at the indelicately named London terminal, Waterloo. "The day before yesterday we expected the light of Austerlitz. But it was the sun of Waterloo... France as gloomy as a Dickensian lawyer, England in its finery presented its most gracious face. All the better to eat us with..."

"On the wonderfully outdated roads from London to Twickenham, the traffic jams brought together Rolls-Royces,

family cars (crammed with biscuits and flowered frocks), and cabs, sometimes open in the light wind. It might have been the fifties."

There followed a personal account of the game, the amiability of its fans and its apt conclusion: "The Englishman, who is a perfectionist, crowned the match with a success in the very last minute because it is not done to finish a sentence without the appropriate punctuation. That is English grammar."

The French, unless they are broadcasters, are able to keep their paranoia in check, reserving it for such trivia as trade policy and television. When it comes to matters of civilisation, they display great openness and generosity of spirit, an example to the xenophobes at the western end of the Tunnel.

James Morgan is economics correspondent of the BBC World Service

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سكنا من الامل

Weekend INVESTOR

Wall Street

Pessimists find cause for their concern

Maggie Urry reports on a week where bullish hopes were unrealised

Wall Street has spent much of the week frozen, in all senses. Traders trudged to work through deep-fried snow to find the market unable to move far from the spot where it ended the previous week, just before the temperature plummeted.

After the surge in bond and share prices following the unexpectedly good headline employment numbers the previous Friday, investors have been waiting for more economic statistics to see if they would confirm the bullish hopes that were raised.

Had the Federal Reserve, by pulling back economic growth to a sustainable rate without causing a recession, and keeping inflation at a reasonable rate, pulled off the economic equivalent of a triple somersault?

Unfortunately for those impatient to find out the answer, there has been a dearth of numbers to pick over. Not until yesterday's producer price statistics was there anything substantial to analyse.

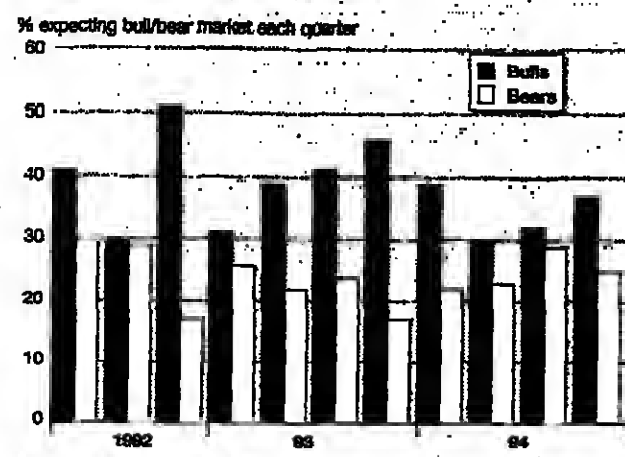
The headline figure, showing a 0.3 per cent rise in the prices of finished goods last month, was a touch below the consensus forecast of 0.4 per cent. The immediate reaction was, therefore, good, but the difference between forecast and outcome was not so large as to cause another sharp rally.

Until more evidence comes in, strategists and fund managers remain divided between those who think the Fed has increased interest rates for the last time, and those who expect another one or two rises in short-term rates. It could be May before we find out who is right.

Even if there are no more increases, however, there are bound to be some nasty surprises along the way. The great spectre of inflation is likely to make an appearance in some of the statistics. It would be strange if prices did not rise at this point in the business cycle, even if the rate of inflation stays within prudent bounds.

Similarly, other economic statistics are likely sometimes to disappoint forecasters, if only because one month's numbers are such an unreliable guide to a trend. Indeed, Cornelia Small, global equity strategist at fund manager Scudder, Stevens & Clark,

US investors' expectations



Source: Citicorp (all of clients)

points out that an excessive amount of bullishness has been based on "one silly number".

In her view, slowing an economy which has been growing as strongly as that of the US takes more pain than has been experienced so far. Mexico and Orange County are two places where higher rates have left casualties. It is probable that the pain will strike again, but who knows where.

Jack Church, chief investment officer at the Glenmede Trust company, another money management group, is more upbeat in hoping that the Mexican and Orange County crises are the ones which mark the top in this interest rate cycle. He believes that the surprises for the market will be good ones.

Investors are still highly nervous. Although sentiment is beginning to improve, as the chart shows, it is still at low levels. A chart of sentiment among investment advisers would also show a great deal of pessimism although here, too, the line has turned upwards. The brave investor is the one who buys before the herd. But after the losses sustained last year, particularly in bonds (which, after all, are supposed to be the low-risk choice), and with money market funds now showing a much better return than they were a year ago when the Fed started raising interest rates, it could be some time before private investors are ready to commit money to the market again.

An interesting sideline to the market has been the rise of the broader S&P 500 index relative to the Dow Jones Industrial index.

The latter, which covers 30 shares, has a heavy bias towards cyclical stocks which do well as the economy picks up. Profits for these companies rise sharply as extra volume turns to disproportionately large gains in earnings.

The Dow did better than the S&P 500 in 1994 but, so far this year, the wider index has outperformed, with the S&P 500 topping its all-time high during the week.

Even better recently has been the performance of the Nasdaq index. This contains a greater proportion of technology stocks which have been buoyed by expectations of fast growth.

Corporate profit news continues to be good. With most of the earnings figures for 1994 now in, the positive surprises have far outweighed the negative. Yet, good news often failed to lift share prices during the week. As investors look ahead to a slowing economy and less-vibrant profits growth, past successes are forgotten easily.

Figures from Goodyear, the tyre-maker, emphasised that profit margins have reached their peak even if profits have not yet done so.

Goodyear said it was proving difficult to pass on commodity price increases to customers, while labour costs were also rising faster again. It is news like that which supports the pessimists.

Dow Jones Ind Average

Monday	3937.73	+9.09
Tuesday	3937.38	-0.34
Wednesday	3935.37	-2.02
Thursday	3932.88	-2.60
Friday		

There may be ravaging offices and factories across Britain, and dismal winter weather still envelops the land, but there has been a touch of springtime optimism around the stock market this week.

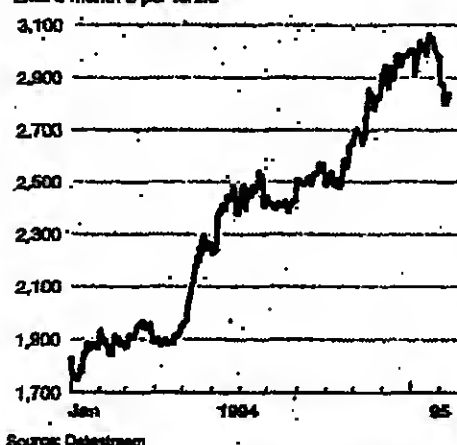
The FT-SE 100 share index gained ground on four of the five trading days, and marked time on the fifth, to end 50.2 points up on the week and at a high for 1995 of 3,109.3.

Could this be a sign that the Footsie is on the point of breaking upwards out of the 2,850 to 3,150 trading range in which it has been stuck since last summer? Or is this yet another false dawn?

Certainly, market sentiment in both the US and across Europe has improved significantly over the past week - since a surprisingly high figure for US unemployment in January was announced on February 3, prompting a sharp rise that day in the US equity and bond markets.

Copper

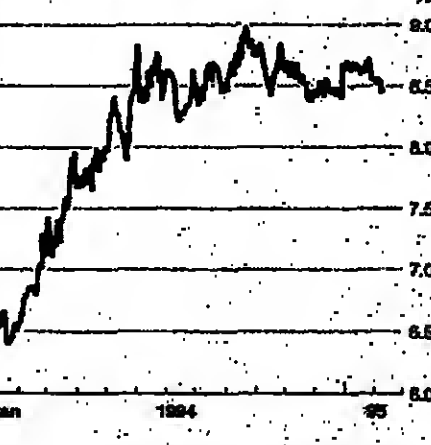
LME 3 month \$ per tonne



Source: Datastream

15-year benchmark bond yield

%



Highlights of the week

	Price	Change	1994/95	1994/95
	1/11	up week	High	Low
FT-SE 100 Index	3109.3	+50.2	3520.3	2376.6
FT-SE Mid 250 Index	3464.1	+83.9	4122.6	3393.4
Amstrad	147 1/2	+16	250	125 1/2
BHP	248	+22 1/2	365 1/2	248
Boyetter	385	+12	524	387
British Airways	383 1/2	+14	489 1/2	344
Enghartel Ltd	298	+11	592 1/2	195
Garrett	582	+26	880	510 1/2
Govett	308	+38	486	275
MFI Furniture	118	+4 1/2	184	115 1/2
Seahorse	435	+28	490	299
Sun Alliance	317	+14	418	281
Warburton (SG)	726	+35	1012	569
Whitbread	629	+37	817	484
Yorkshire Elec	819	+64	908 1/2	604 1/2

There is increasing optimism that the US Federal Reserve will be able to hold back inflation while keeping the economy expanding at a more moderate pace, and that US interest rates, which have risen sharply over the past year, may be near a cyclical peak. In Britain, similar sentiments are taking hold, following the recent succession of base rate increases.

This viewpoint has just received significant support in the commodity markets, where prices have risen sharply over the past 15 months on expectations of rising inflation and rapidly expanding demand. But this week, speculators and investment funds began pulling money out, driving the price of everything - from copper to cocoa - down sharply. A good proportion of that cash may find its way into equity and bond markets.

One of London's more bullish analysts is Edward Warner of Kleinwort Benson who published a much-quoted note this week arguing that the Footsie is likely to "burst up out of its trading range. Those waiting for unambiguously positive news may pay a heavy opportunity cost," he said.

Many analysts argue that Britain's big annual results season, which is about to start rolling, could mark a significant, positive shift in perceptions of the value of British equities - even though the City is expecting UK PLC's earnings growth in 1995 to slow to about 15 per cent from nearly 30 per cent of 1994.

Warner argued that the big dividend rises companies are expected to unveil over the next month or two will make equities much more attractively valued relative to gilts. He said the yield ratio - the ratio between the yield on long gilts and equities - should drop from the current 2.1, which is hardly demanding by past standards, to about 1.9, assuming gilts prices hold steady.

There are, however, plenty of bears around who argue that this optimism is misplaced; that neither the US nor the UK government has really quashed inflation; that interest rates still have a considerable way to rise; and there will be no economic "soft landing".



Maurice Thompson: resigned from Warburg this week. (Thea Huxford)

bears around who argue that this optimism is misplaced; that neither the US nor the UK government has really quashed inflation; that interest rates still have a considerable way to rise; and there will be no economic "soft landing".

All this, they argue, coupled with UK political uncertainty, will maintain downward pressure on both gilt prices and sterling, at best keeping equities within their trading range.

However, the events of the past week suggest that the market is, at least temporarily, more willing to listen to the optimists than the pessimists.

The bull case was strengthened yesterday by a solid set of results from Lloyds Bank, which started the bank reporting season with a 26 per cent increase in pre-tax profits to £1.3bn. The figures were broadly in line with expectations, but their composition pleased the market, suggesting a pick up in loan demand and a maintenance of margins. They pushed retail bank stocks sharply higher.

The investment banking sector had a more mixed week. Shares in S.G. Warburg, Britain's leading merchant bank, were affected by staff defections, most notably that of the two leading figures in its equity capital markets division, who moved to Morgan Grenfell, the merchant banking arm of Deutsche Bank.

The losses reinforced City concerns that Warburg may be drifting following the collapse of its recent merger talks with Morgan Stanley, the Wall Street investment bank.

Warburg is still seen as a possible takeover candidate, but there was evidence this week of a shift by investors from Warburg stock into Kleinwort Benson, another merchant bank which has been the subject of bid speculation.

One of the week's worst performing sectors was brewing, thanks to the announcement on Tuesday that the Office of Fair Trading is to investigate brewers' wholesale prices. The inquiry centres on estimates that free houses can buy beer at one third off the list price but tied houses have to pay brewers the full amount.

The City is concerned that the OFT inquiry could lead to a further inquiry by the Monopolies and Mergers Commission. The MMC's last investigation, in the late 1980s, concluded that the brewers' ownership of pubs limited competition. It forced the industry to sell some of its outlets and led to a price war.

News of the OFT inquiry prompted analysts to cut their profits forecasts for the industry, amid warnings that the investigation could stall further rationalisation of the sector, which is suffering from excess brewing capacity. In particular, the City thinks that Foster's Brewing of Australia would like to sell Courage, Britain's second largest brewer, and its half stake in Innkeeper Estates, a pub owning joint venture, but fears the process could be stalled by the inquiry.

Against this background, brewing stocks could underperform the market for some time. The springtime hopes stirring in the City are likely to prove cold comfort to the Beerage.



Barry Riley

Pensions head for a dark age

The state scheme isn't safe - it's the biggest swindle of all

Believe it or not, this might well turn out to have been a golden age for pensioners. The living standards of retired people have improved significantly in recent years, especially for the wealthier of them who have benefited from the spread of occupational pensions. But the future prospects are looking murkier as the state withdraws progressively.

Certainly, old age security is not obtained without a struggle. One of the hazards was emphasised this week when a life insurance group, Lloyds Abbey Life, announced it was increasing to £50m its provisions against claims for mis-selling of personal pensions. If other companies eventually pay the same sort of compensation, the total bill for bad advice will come to some £2.5bn.

So much for personal pensions. Company schemes, surely, are much safer? Not if you ask Maxwell group pensioners, who for more than three years have been subsisting mostly on emergency relief. At least there is good news here: last night, it seemed that a settlement had finally been cobbled together to secure the pensioners' future. But it has all been confused and unsatisfactory.

And if crooked raids on funds are, thankfully, rare, consider also the plight of

future pensioners of Swan Hunter, the defunct shipbuilder. The trustees of the pension scheme are proposing to cut some benefits to as little as 60 per cent of those promised.

Ah, you might say, thank goodness for the state scheme. It has the government's guarantee behind it, unlike these insubstantial private sector arrangements. But the state scheme is the biggest swindle of all. No private sector pensions provider would be able to get away with such blatant deception and betrayal of promises.

The basic state pension was worth 20 per cent of average earnings late in the 1970s, but the Thatcher government then shifted its index link from earnings to prices (in effect, cutting 2.4 per cent on average every year off what the pension would have been).

So, the pension is now worth only 15 per cent of average earnings and could fall to just 7 per cent in 50 years. As for the earnings-related second tier of the state scheme, called Serps, it was devalued substantially in 1986 and now faces a further attack.

Richard Disney and Paul Johnson, of the Institute for Fiscal Studies, have pointed to new proposals tucked away obscurely in the new Pensions Bill. The bill was supposed to improve the security of pensioners; indeed, company

schemes will be regulated more tightly. But state scheme commitments are again being torn up. Technical changes to the indexation provisions for Serps could eventually halve the benefits in real terms.

In fact, state pension benefits all over the world are coming under intense pressure. Demographic shifts

are making the promises for them unaffordable. The old-age dependency ratio - the numbers of retired people to those of employment age - will double in Europe between 1990 and 2040.

The Organisation for Economic Co-operation and Development, representing 20 rich countries, has calculated that an extra payroll tax (increasing gradually to 15 per cent by 2060) or an equivalent will be needed to pay the bills. Italy's desperate plan to slash benefits caused armies of pensioners to go on the march in December and, effectively, brought down the Berlusconi government. New Zealand has brought in a subtler variation:

a 100 per cent tax on the state pensions of wealthier retired people.

Evidence submitted by the UK National Association of Pension Funds to an investigation which it is sponsoring - the Retirement Income Inquiry - attempts to answer the question of what, or who, is going to plug the gap left by the decline of the state.

Occupational pensions provide only part of the solution. Even at their peak, they covered only just over 50 per cent of the work force, and the proportion was down to 48 per cent - and falling - when last measured in 1991. There is nothing better than a good final salary scheme, but comparatively few people are in them long enough to build up full benefits.

The government's answer is personal pensions. Around 8m people are paying into such plans but most of them are hopelessly inadequate. Some 3m are "rebate only", based on the 4.3 per cent national insurance contributions that, otherwise, would go into Serps.

Scarcely any employers, and few employees, pay more than these rebates into personal plans. In contrast, the typical final salary occupational scheme is based on contributions of nearly 15 per cent of pay (two-thirds from the employer).

The NAFF has done some

sums based on the assumption that another 5 per cent is paid into a personal plan (making 10.8 per cent in all). For many people, this would give a tolerable result, especially for mobile workers who do not get the best out of final salary-based company schemes. Even so, there are hazards from high charges and possible stock market upsets.

This leaves open the question of how ordinary people are going to be persuaded to pay substantial contributions throughout their working lives. A rush to catch up later in life is not very effective: early career contributions pay off much more handsomely, thanks to compound interest.

In fact the NAFF concludes that people will not be persuaded. They must be compelled to contribute something like 5 per cent more than the rebate.

Perhaps part of the burden could be borne by employers. Other countries are heading down this road: Australia has a 3 per cent employer contribution which will rise progressively to 9 per cent. But is a compulsory contribution, albeit into a private pension fund, very different from an extra tax?

Whatever is done, we will have to pay up, one way or another, if the early-21st century is not to become the dark age of pensions.

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